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ABSTRACT

This curriculum unit helps students explore how U.S. trade relations fit into the country's overall role in the world. The unit is part of a series on current and historical international issues developed by the Choices for the 21st Century Education Project. Choices material places special emphasis on the importance of educating students in their participatory role as citizens. The unit considers trade issues in the context of international affairs and anxiety about economic globalization here at home. The teacher's unit discusses the "Choices" approach and how to integrate the unit into the classroom. It suggests a 5-day lesson plan with student activities. The unit begins with discussion of trade's impact on the local economy. The second day of the lesson plan calls on students to consider the impact of economic globalization through the eyes of four fictional characters. The third and fourth days of the unit feature a simulation in which students assume the role of advocates for the three options. The lesson plan concludes with students developing their own options and taking part in a classroom survey. The Teacher's Resource Book offers key terms, an issues box, and suggestions to make "Choices" work in the classroom. An alternate 3-day lesson plan is also provided. The student guide is divided into three parts: "The Global Economic System--Made in the U.S.A."; "How U.S. Trade Policy Affects Us"; and "Rethinking U.S. Trade Policy." Three options are outlined for classroom debate: (1) "Promote Free Trade"; (2) "Protect American Workers"; and (3) "Put Global Values First." Included is a worksheet for "focusing your thoughts" on the three options for classroom debate. The student is asked to create an opinion that reflects his or her own beliefs and opinions. The student guide offers reading on opposing viewpoints on U.S. trade policy and contains a 14-item suggested reading list. (BT)

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Teacher's Resource Book [and Student's Guide].

Public Policy Debate in the Classroom.

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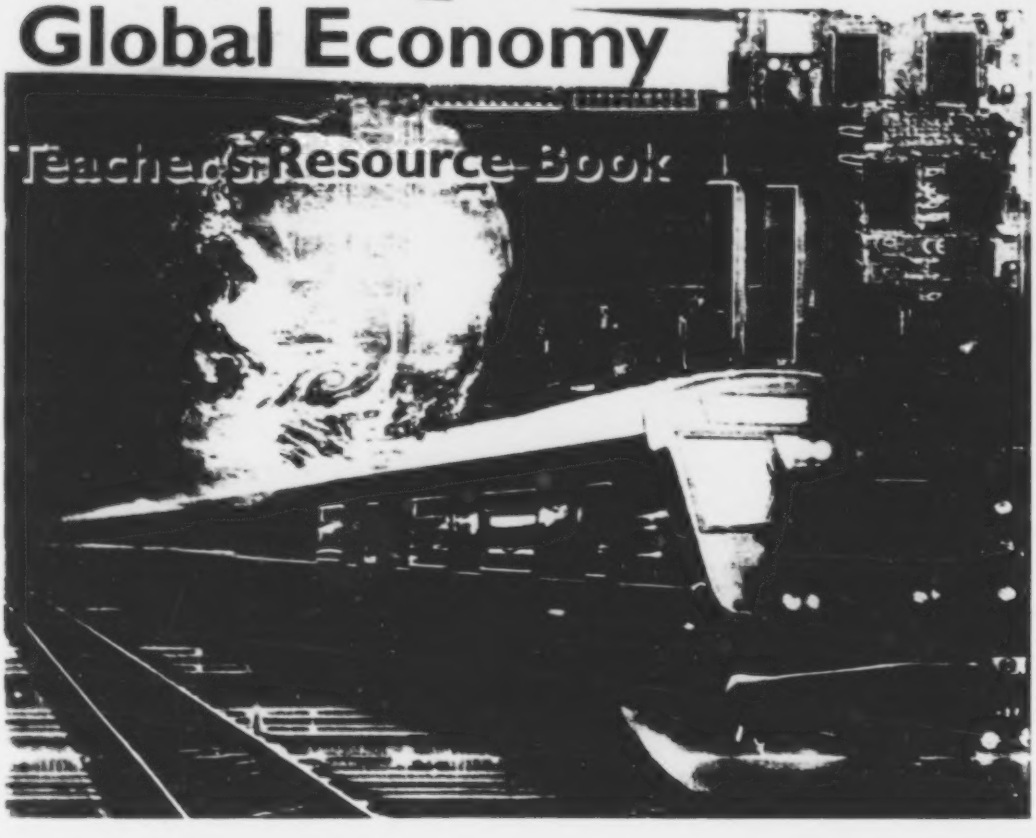

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PUBLIC POLICY DEBATE IN THE CLASSROOM

Choices for the 21st Century Education Project

A program of the Thomas J. Watson Jr.
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U.S. Trade Policy: Competing in a Global Economy is part of a continuing series on public policy issues. New units are published each academic year, and all units are updated regularly.

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http://www.choices.edu

CHOICES

for the 21st Century Education Project
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The Choices for the 21st Century Education Project develops curricula on current and historical international issues and offers workshops, institutes, and in-service programs for high school teachers. Course materials place special emphasis on the importance of educating students in their participatory role as citizens.

The Choices for the 21st Century Education Project is a program of the Thomas J. Watson Jr. Institute for International Studies at Brown University.

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The Choices for the 21st Century Education Project is a program of the Thomas J. Watson Jr. Institute for International Studies at Brown University. Choices was established to help citizens think constructively about foreign policy issues, to improve participatory citizenship skills, and to encourage public judgment on policy priorities.

The Thomas J. Watson Jr. Institute for International Studies was established at Brown University in 1986 to serve as a forum for students, faculty, visiting scholars, and policy practitioners, who are committed to studying global problems and developing international initiatives to benefit society.

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About the Choices Approach

Choices for the 21st Century curricula are designed to make complex international issues understandable and meaningful for students. Using an innovative approach to student-centered instruction, Choices units develop critical thinking and civic judgment — essential ingredients of responsible citizenship.

Understanding the Significance of History: Each Choices unit provides students with a thorough introduction to the topic under consideration. Students gain an understanding of the historical background and the status of current issues. In this way, they see how history has shaped our world. With this foundation, students are prepared to thoughtfully consider a variety of perspectives on public policy.

Exploring Policy Alternatives: Each Choices unit is built around a framework of alternative policy options that challenges students to consider multiple perspectives and to think critically about the issue at hand. Students are best able to understand and analyze the options through a cooperative learning/role-play activity. In groups, students explore their assigned options and plan short presentations. The setting of the role-play may be a Congressional hearing, meeting of the National Security Council, or an election campaign forum. Student groups defend their policy options and, in turn, are challenged with questions from their classmates. The ensuing debate demands analysis and evaluation of the many conflicting values, interests, and priorities reflected in the options.

Exercising Civic Judgment: Armed with fresh insights from the role-play and debate, students are challenged to articulate original, coherent policy options that reflect their own values, priorities, and goals as individuals and citizens. Students' views can be expressed in letters to Congress or the White House, editorials for the school or community newspaper, persuasive speeches, or visual presentations.

Why Use the Choices Approach? Choices curricula are informed by current educational research about how students learn best. Studies have consistently demonstrated that students of all abilities learn best when they are actively engaged with the material rather than listening passively to a lecture. Student-centered instructional activities motivate students and develop higher-order thinking skills. However, some high school educators find the transition from lecture format to student-centered instruction difficult. Lecture is often viewed as the most efficient way to cover the required material. Choices curricula offer teachers a flexible resource for covering course material while actively engaging students and developing skills in critical thinking, persuasive writing, and informed citizenship. The instructional activities that are central to Choices units can be valuable components in any teacher's repertoire of effective teaching strategies. Each Choices unit includes student readings, a framework of policy options, suggested lesson plans, and resources for structuring cooperative learning, role-plays, and simulations. Students are challenged to:

- recognize relationships between history and current issues
- analyze and evaluate multiple perspectives on an issue
- understand the internal logic of a viewpoint
- engage in informed debate
- identify and weigh the conflicting values represented by different points of view
- reflect upon personal values and priorities surrounding an issue
- develop and articulate original viewpoints on an issue
- communicate in written and oral presentations
- collaborate with peers

Teachers who use Choices units say the collaboration and interaction that take place are highly motivating for students. Opportunities abound for students to contribute their individual talents to the group presentations in the form of political cartoons, slogans, posters, or characterizations. These cooperative learning lessons invite students to take pride in their own contributions and the group product, enhancing students' self-esteem and confidence as learners. Choices units offer students with diverse abilities and learning styles the opportunity to contribute, collaborate, and achieve.

Note to Teachers

When economists talk about U.S. trade policy, beliefs and values that are fundamental to our civic culture often get lost in conflicting interpretations of economic data and pedantic debates over competing theoretical models. *U.S. Trade Policy: Competing in a Global Economy* seeks to cut through the haze of statistics and formulas in order to place beliefs and values at the center of the national discussion on trade policy.

Growing anxiety about the forces of economic globalization and the widening gulf between our society's haves and have-nots make the unit particularly relevant. The World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA) , the growing economic power of the developing world, most-favored-nation status for China, U.S.-Japanese trade relations, and other key trade issues lately have occupied a prominent position on the national agenda. *U.S. Trade Policy: Competing in a Global Economy* provides students with the tools to express their views on these important topics.

At the core of the unit is a framework of three distinct options for U.S. trade policy. By exploring a wide-ranging spectrum of alternatives, students gain a deeper understanding of the values underlying specific policy recommendations. The background reading is intended to introduce students to the terms and concepts essential to a basic understanding of international trade. Part I discusses the expansion of international trade and the globalization of the economy in the decades after World War II. Part II allows students to reflect on the impact of shifting trade patterns on the lives of four Americans. Part III reviews the key items on today's U.S. trade policy agenda.

Suggested Five-Day Lesson Plan: The Teacher's Resource Book accompanying *U.S. Trade Policy: Competing in a Global Economy* contains a day-by-day lesson plan and student activities. The unit opens with a discussion of trade's impact on the local economy. Day Two of the lesson plan calls on students to consider the impact of economic globalization through the eyes of four fictional characters. The third and fourth days of the unit feature a simulation in which students assume the role of advocates for the three options. The lesson plan concludes with students developing their own options and taking part in a classroom survey. You may also find the "Alternative Three-Day Lesson Plan" useful.

- **Alternative Study Guides:** Each section of background reading is accompanied by two distinct study guides. The standard study guide is designed to help students harvest the information provided in the background readings in preparation for analysis and synthesis within classroom activities. The advanced study guide requires analysis and synthesis prior to class activities.

- **Vocabulary and Concepts:** The background reading in *U.S. Trade Policy: Competing in a Global Economy* addresses subjects that are complex and challenging. To help your students get the most out of the text, you may want to review with them "Key Terms" found in the Teacher's Resource Book (TRB) on page TRB-27 before they begin their assignment. A "U.S. Trade Policy Issues Toolbox" is also included on page TRB-28. This provides additional information on key concepts of particular importance to understanding the foundations the debate over U.S. trade policy.

The lesson plan offered in *U.S. Trade Policy: Competing in a Global Economy* is a guide. Many teachers choose to devote additional time to certain activities. We hope that these suggestions help you in tailoring the unit to fit the needs of your classroom.

Integrating This Unit into Your Curriculum

Units produced by the Choices for the 21st Century Education Project are designed to be integrated into a variety of social studies courses. Below are a few ideas about where *U.S. Trade Policy: Competing in a Global Economy* might fit into your curriculum.

Global Economy: For most of our country's history, international trade was not a critical factor in the economic development of the United States. In 1913, 8 percent of the U.S. gross national product was derived from trade, as compared to 26 percent for Britain. In the last few decades, however, our country's reliance on international trade has grown dramatically. The expansion of trade has not only changed the U.S. role in the world, but has also injected new economic concepts into the classroom. Today's transnational corporations have blurred the national identities of products and companies. The WTO, the EU, and NAFTA have challenged traditional notions of national sovereignty. For the teacher of economics, exploring the changing priorities of U.S. trade policy helps students gain an understanding of topics related to economic globalization.

Pacific Rim: The economic growth of East Asia has been one of the most important developments in international relations in the second half of the 20th century. In recent years, countries in Latin America have also shown signs that they may be poised to join the ranks of rapidly industrializing nations. For Americans, the economic expansion of the Pacific Rim has forced us to alter our perspective on world affairs. About half of our country's exports are now sold in East Asia and Latin America, as compared to less than 20 percent in Western Europe. Financial shocks in the region rattle windows on Wall Street. Moreover, the economic tilt toward the Pacific Rim is expected to become more pronounced in the 21st century. For students, a study of U.S. trade policy offers both an insight into the growing importance of the Pacific Rim and a springboard for considering the significance of the region in U.S. foreign policy.

Rethinking National Security: Since the end of the Cold War, pressure has built to redefine the concept of U.S. national security. Many critics of the Cold War definition have argued that the notion of national security must be broadened to incorporate economic interests as well as transnational concerns like environmental protection and the promotion of human rights. The issue has particular relevance today, as Americans reconsider the function of government in our society. Should national security continue to be dominated by military concerns, or should economic matters play a bigger role? By insisting that the proctection of the environment and human rights be part of trade discussions, do we ensure a more secure future or do we harm our economy? Would expanded government involvement in the economy improve our country's economic competitiveness, or harm America's entrepreneurial spirit?

North-South Relations: The next few decades will witness a global shift in the economic balance of power as the economic output of the developing world surpasses that of the developed world. The trend reverses 200 years of Western domination of the global economy. It also comes at a time when many developing countries are experiencing rapid population growth and intense pressure on natural resources. For students of international relations, the coming decades will demand heightened attention to North-South issues. Will emerging economic powers, such as China, India, and Brazil, build up their military strength and seek to flex their muscles in the international arena? Will international trade serve as a force for global cooperation or will economic disputes contribute to a deepening of North-South tensions?

The U.S. Economy in Transition

Objectives:

Students will:

- Analyze the impact of economic globalization on their local community.
- Assess the significance of international trade for local businesses.
- Relate global economic trends to the economic prospects of their families.

Required Reading:

Before beginning the unit, students should have read Part I of the background reading in the student text (pages 1-5) and completed "Study Guide — Part I" in the Teacher's Resource Book (TRB 4-5) or "Advanced Study Guide — Part I" (TRB-6).

In the Classroom:

1. Personalizing Trade Issues — Call on students to share their answers to the question, "How has your family been affected by the globalization of the economy?" Ask students to explain the basis for their responses. Are they optimistic or pessimistic about the economic prospects of their families?

2. Gauging the Local Impact — Ask students to assess the impact of international trade on their community. How has the community been affected by NAFTA and the WTO? Are local business leaders optimistic about their economic prospects? Do workers feel confident about the security of their jobs?

3. Making Local Connections — Ask students to identify sectors of the local economy that are most affected by trade and the globalization of the economy. To which parts of the world is the local economy most closely tied? How will the growing significance of the Pacific Rim in international trade influence the local economy? Which trade policy issues are especially important to the community? How do the community's trade interests differ from those of other parts of the country? Call on students to explain how their career plans may be shaped by trade and the globalization of the economy.

Extra Challenge:

Ask students to report on the economic profile of their community in the 1960s. Which industries were most prominent at the time? Which companies depended most heavily on exports? What was the prevailing view about the community's economic future? Suggest that students contact the local chamber of commerce and use newspaper archives to pursue their research. In the final part of their reports, students should consider how the forces of economic globalization have changed the local economy over the past three decades. Which industries have suffered because of trade? Which have prospered?

Homework:

Students should read Part II of the background reading in the student text (pages 6-9) and complete "Study Guide — Part II" (TRB 8-9) or "Advanced Study Guide — Part II" (TRB-10).

Name: _____

Study Guide — Part I
The Global Economic System — Made in the U.S.A.

1. What challenges have trade and global competition forced upon American businesses and workers?

2. Wages for American workers have been held down by pressure from the _____ _____ _____.

3. Both U.S. companies and consumers benefited from the changes in trade in the 1990s.
   Companies benefited because _____.
   Consumers benefited because _____.

4. To stop Soviet expansion following the Second World War, President Truman and his successors believed that _____ _____ was crucial to _____.

5. NAFTA which stands for the _____ _____ _____ _____ _____, unites which three countries into a single market?

   a.

   b.

   c.

6. GATT, which stands for the _____ _____ on _____ and _____ was organized to _____ by laying out ground rules among its members.

7. List the "four tigers" of East Asia. (So-called because they are highly successful countries).

   a.

   b.

   c.

   d.

7. In 1950, the United States accounted for _____ of all the world's manufacturing output. Today, the United States accounts for about_____ of the world's total.

8. In what fields have U.S. exports increased?

9. Between 1979 and 1995, roughly how many manufacturing jobs were lost?

10. Although the income of an average American household began to rise in the mid-1990s, what also happened to the gap between rich and poor?

11. List three characteristics of the U.S. economy at the beginning of the 21st century.

a.

b.

c.

12. List three reasons other than trade for the changing economic dynamics in the United States.

a.

b.

c.

Name:

Advanced Study Guide — Part I

The Global Economic System — Made in the U.S.A.

1. Why have trade issues gained increasing importance for the American public?

2. Why did U.S. leaders change our country's trade policy after World War II?

3. How did GATT contribute to a sharp increase in international trade after World War II?

4. How did the goals of U.S. foreign policy help promote economic recovery in Western Europe and East Asia after World War II?

5. How have the forces of economic globalization produced both winners and losers in the United States?

6. How has your family been affected by the globalization of the economy?

Evaluating the Impact of Economic Change

Objectives:

Students will:

- Evaluate changes in the economy through the perspectives of the four characters featured in the background reading.
- Identify sources of opportunity and anxiety associated with economic globalization.
- Assess the impact of economic change on American attitudes toward the economy.

Required Reading:

Students should have read Part II of the background reading in the student text (pages 6-9) and completed "Study Guide — Part II" in the Teacher's Resource Book (TRB 8-9) or "Advanced Study Guide — Part II" (TRB-10).

Handouts:

- "America's Economic Future" (TRB-11).
- Extra Challenge — "Opposing Views on U.S. Trade Policy" in the student text (pages 24-25).

In the Classroom:

1. Organizing Group Work — Divide the class into groups of four students. Assign each group a profile from Part II of the background reading and distribute "America's Economic Future." (In larger classes, two or three groups should be assigned to each profile.) Emphasize that students should answer the questions on the worksheet from the perspectives of their assigned characters.

2. Contrasting Perspectives — After the groups have completed the worksheet, select group spokespersons to share their responses with the entire class. Highlight the contrasts in the outlooks of the four characters. What economic changes account for the greatest anxiety among the four characters? What opportunities have been created by economic globalization?

3. Analyzing Economic Change — Ask students to compare the concerns of the characters presented in the background reading with the economic outlook of the local community and the country as whole. How do students explain the widespread sense of economic anxiety among Americans? Which occupational groups have been most vulnerable to the forces of economic globalization? Conversely, who has most benefited from the expansion of international trade? How should students prepare themselves to meet the challenges of economic change?

Extra Challenge:

Distribute "Opposing Views on U.S. Trade Policy" and instruct students to read the statements of Al Gore and Richard Gephardt. How would each of the profiled characters respond to the statements? Which values stand out most prominently? What are the main points of disagreement between Gore and Gephardt?

Homework:

Students should read Part III of the background reading in the student text (pages 10-15) and complete "Study Guide — Part III" (TRB 13-14) or "Advanced Study Guide — Part III" (TRB-15).

Name: _____

Study Guide — Part II
How U.S. Trade Policy Affects Us

1. Judy is classified as an _____ worker.

2. What is a *maquiladora*?

3. List three reasons that Judy sees free trade as a threat.

   a.

   b.

   c.

4. How has NAFTA created opportunities for workers like Vicky?

5. The American economy has shifted from primarily a manufacturing economy to one that also includes _____.

6. Give three examples of the business service sector of the economy.

   a.

   b.

   c.

7. How was Al, the auto parts manufacturer, hurt by NAFTA?

8. How was Al helped by NAFTA?

9. Japanese companies manufactured approximately _____million vehicles in their U.S. plants in 1998.

10. Between 1992 and 1998, about how much of U.S. economic growth was attributable to exports?

11. How did cutbacks in military spending affect Gerald's job security?

12. What problems do American environmentalists see along the U.S.-Mexican border?

Name:

Advanced Study Guide — Part II
How U.S. Trade Policy Affects Us

1. Why does Judy view free trade as a threat?

2. Why does Vicky believe that she would benefit from more open trade?

3. Why does free trade represent both an opportunity and a concern for Al?

4. How will U.S. trade policy affect Gerald's future plans?

Name: _____ Day 2

America's Economic Future

Instructions: Your group has been assigned one of the profiles in Part II of the background reading. As you learned from your reading, each of the four characters has a distinct perspective on the economic outlook of our country. In this exercise, you and your fellow group members are expected to answer the questions below from the perspective of your assigned character. Imagine that you are being interviewed for a newspaper article about our country's economic future. Later in the period, you will be called upon to share your responses with the entire class.

Your assigned character: _____

1. How have the growth in international trade and the globalization of the economy affected the life and the future plans of your assigned character?

2. According to the perspective of your assigned character, is the American economy heading in the right direction? Explain your answer.

3. What does your assigned character think the future of the American economy holds for him or her?

4. If your assigned character could deliver a brief message to our country's leaders about his or her economic concerns, what would it be?

Role Playing the Three Options: Organization and Preparation

Objectives:

Students will:

- Analyze the issues that frame the debate on U.S. trade policy.
- Identify the core underlying values of the options.
- Integrate the arguments and beliefs of the options and the background reading into a persuasive, coherent presentation.
- Work cooperatively within groups to organize effective presentations.

Required Reading:

Students should have read Part III of the background reading in the student text (pages 10-15) and completed "Study Guide — Part III" in the Teacher's Resource Book (TRB 13-14) or "Advanced Study Guide — Part III" (TRB-15).

Handouts:

- "Presenting Your Option" (TRB-16) for option groups.
- "Expressing Key Values" (TRB-17) for option groups.
- "Joint Committee of Congress on Economics" (TRB-18) for committee members.
- "Making Your Voice Heard" (TRB-19) for citizen lobbyists.

In the Classroom:

1. Planning for Group Work — In order to save time in the classroom, form student groups before beginning Day Three. During the class period of Day Three, students will be preparing for the Day Four simulation. Remind them to incorporate the background reading into their presentations and questions.

2a. Option Groups — Form three groups of four students. Assign an option to each group. Distribute "Presenting Your Option" and "Expressing Key Values" to the option groups. Explain that the option groups should follow the instructions in "Presenting Your Option." Note that the groups should begin by assigning each member a role.

2b. Committee Members — Appoint five to ten students to serve as members of the Joint Committee of Congress on Economics. Distribute "Joint Committee of Congress on Economics" to each committee member. While the option groups are preparing their presentations, members of the committee should develop cross-examination questions for Day Four. (See "Joint Committee of Congress on Economics.") Remind committee members that they are expected to turn in their questions at the end of the simulation.

2c. Citizen Lobbyists — Assign the remaining students the roles of the four characters profiled in Part II of the background reading. Distribute "Making Your Voice Heard." In the second half of Day Three, citizen lobbyists will present their assessments of the options to members of the Congressional committee. Remind the lobbyists that they are expected to turn in their essays at the end of the simulation on Day Four (see "Making Your Voice Heard").

Suggestions:

In smaller classes, other teachers or administrators may be invited to serve as members of the committee.

Extra Challenge:

Ask the option groups to design a poster or a political cartoon illustrating the best case for their options. Also, call on committee members to weigh the options as representatives of specific states or Congressional districts.

Homework:

Students should complete preparations for the simulation.

Study Guide — Part III
Rethinking U.S. Trade Policy

1. List three positive consequences of the globalization of the economy.

   a.

   b.

   c.

2. List three negative consequences of the globalization of the economy.

   a.

   b.

   c.

3. What is meant by the term "Americanization?"

4. The United States has promoted new trade ties through NAFTA and the WTO. WTO stands for _____ _____ _____. In 1999, there were_____member countries.

5. List three of the U.S. goals for the next round of the WTO.

   a.

   b.

   c.

6. Give an example of a non-tariff barrier.

7. What action did the United States take to help stabilize the value of the Mexican peso?

8. List 5 concerns that critics have about the WTO and free trade agreements.

a.

b.

c.

d.

e.

9. What is "fast-track" authority?

10. What is "most-favored-nation" status?

11. Why do U.S. critics oppose China's entry into the WTO?

12. List two arguments for China's entry in the WTO.

a.

b.

Advanced Study Guide — Part III
Rethinking U.S. Trade Policy

1. Why is NAFTA viewed as departure from the principles of the WTO?

2. How has NAFTA changed our country's relationship with Mexico?

3. Why has the Pacific Rim been the focus of recent U.S. trade initiatives?

4. What is the basis for the argument that the WTO threatens the environment and the rights of workers in the United States?

5. How does "fast-track" authority affect America's role in shaping new trade agreements?

6. What is the connection between the human rights record of the Chinese government and U.S. trade policy toward China?

Presenting Your Option

Preparing Your Presentation

Your Assignment: Your group has been called upon to appear before the Joint Committee of Congress on Economics. Your assignment is to persuade the committee members that your option should be the basis for U.S. trade policy. You will be judged on how well you present your option.

Organizing Your Group: Each member of your group will take a specific role. Below is a brief explanation of the responsibilities for each role.

1. *Spokesperson:* Your job is to explain the option of your group to the Joint Committee of Congress on Economics in a three-to-five minute presentation. In preparing your presentation, you will receive help from the other members of your group. You should include arguments from their areas of expertise. Keep in mind, though, that you are expected to take the lead in organizing your group. Read your option and review the background reading to build a strong case for your option. The "Expressing Key Values" worksheet will help you organize your thoughts.

2. *Economist:* Your job is to advise the spokesperson of your group on how your option would improve economic conditions in the United States. As an economist, you have an insight into the overall direction of the U.S. economy. Carefully read your option and then review the background reading from the perspective of your role. Make sure that your area of expertise is reflected in the presentation of your group spokesperson. The "Expressing Key Values" worksheet will help you organize your thoughts.

3. *Trade Specialist:* Your job is to advise the spokesperson of your group on why your option's position on current trade issues is best for the country. As a trade specialist, you have an insight into the advantages and disadvantages of U.S. trade agreements. Carefully read your option and then review the background reading from the perspective of your role. Make sure that your area of expertise is reflected in the presentation of your group spokesperson. The "Expressing Key Values" worksheet will help you organize your thoughts.

4. *Foreign Policy Analyst:* Your job is to advise the spokesperson of your group on how your option would serve our international interests. As a foreign policy analyst, you have an insight into the relationship between U.S. trade policy and foreign policy goals. Carefully read your option and then review the background reading from the perspective of your role. Make sure that your area of expertise is reflected in the presentation of your group spokesperson. The "Expressing Key Values" worksheet will help you organize your thoughts.

Making Your Case

After your preparations are completed, your spokesperson will deliver a three-to-five minute presentation to the Joint Committee of Congress on Economics. The "Expressing Key Values" worksheet and other notes may be used, but the spokesperson should speak clearly and convincingly. During the presentations, you should try to identify the weak points of the competing options. After all of the groups have presented their options, members of the committee and the citizen lobbyists will ask you cross-examination questions. Any member of your group may respond during the cross-examination period.

Name:

Expressing Key Values

The notion of values lies at the core of this unit. Each of the three options in this unit revolves around a distinct set of values. The opening two paragraphs of your option are devoted to making a convincing case for the values that are represented. The term "values," however, is not easy to define. Most often, we think of values in connection with our personal lives. Our attitudes toward our families, friends, and communities are a reflection of our personal values.

Values play a critical role in our civic life as well. In the United States, our country's political system and foreign policy have been shaped by a wide range of values. The high value many Americans place on freedom, democracy, and individual liberty rings loudly throughout U.S. history. For most of our country's existence, the impulse to spread American values beyond our borders was outweighed by the desire to remain independent of foreign entanglements. Since World War II, however, the United States has played a larger role in world affairs than any other nation. At times, American leaders have emphasized the values of human rights and cooperation. On other occasions, the values of stability and security have been stressed. Many of these values have entered into the debate on trade policy.

Some values fit together well. Others are in conflict. Americans are constantly being forced to choose among competing values in our ongoing discussion of public policy. Your job is to identify and explain the most important values underlying your option. These values should be clearly expressed by every member of your group. This worksheet will help you organize your thoughts.

1. What are the two most important values underlying your option?

   a.

   b.

2. According to the values of your option, what should be the role of the United States in the world?

3. Why should the values of your option serve as the basis for our country's trade policy?

Joint Committee of Congress on Economics
Hearing on U.S. Trade Policy

Your Role

You serve on a joint committee of the U.S. House of Representatives and the U.S. Senate that considers issues relating to the U.S. economy. As you know, the expansion of international trade and the globalization of the economy have made trade issues increasingly important for American voters. More than ever, Americans are likely to be affected by U.S. trade policy. These hearings will introduce you to three distinct approaches to this question.

Your Assignment

While the three option groups are organizing their presentations, you will meet with citizen lobbyists. The lobbyists will express their personal opinions on the options. After you have heard their views, you should prepare two questions regarding each of the options. Your teacher will collect these questions — six in all — at the end of Day Four.

As you develop your questions, take into account what you have heard from the lobbyists. At the same time, concentrate on posing questions that are challenging and critical. For example, a good question for Option 1 would be:

If the United States adopts Option 1, how would American workers with few skills be affected?

On Day Four, the three option groups will present their positions. After their presentations are completed, your teacher will call on you and your fellow committee members to ask questions. The "Evaluation Form" you receive is designed for you to record your impressions of the option groups. Part I should be filled out in class after the option groups make their presentations. Part II should be completed as homework. After this activity is concluded, you may be called upon to explain your evaluation of the option groups.

Making Your Voice Heard
Citizen Lobbyist

Your Role

You are expected to represent the views of one of the characters profiled in Part II of the background reading. Your teacher will assign you to play the role of either Judy, Vicky, Al, or Gerald. Like other Americans, you have a vital interest in U.S. trade policy. The importance of trade issues has brought you to Washington, D.C. to present your opinions on the options to members of the Joint Committee of Congress on Economics.

Your Assignment

While the three option groups are organizing their presentations on Day Three, you will present your views to the members of the Congressional committee. To prepare yourself, read the first two paragraphs of each of the options, then identify the most important hopes and concerns of your character. What would he or she have to say about the options?

After you have finished your preparations, summarize your opinions for members of the committee. They will take your views into account as they get ready to question the presentations of the option groups. As homework, present your character's assessment of the options in a one-paragraph essay. Your teacher will collect your essay at the end of Day Four.

On Day Four, the three option groups will make brief presentations. If time permits, your teacher will allow you to direct questions toward the option groups. Keep in mind that you are expected to represent the views of your assigned character.

Role Playing the Three Options: Debate and Discussion

Objectives:

Students will:

- Articulate the leading values that frame the debate on U.S. trade policy.
- Explore, debate, and evaluate multiple perspectives on U.S. trade policy.
- Sharpen rhetorical skills through debate and discussion.
- Cooperate with classmates in staging a persuasive presentation.

Handouts:

- "Evaluation Form" for committee members in the Teacher's Resource Book (TRB-21).

In the Classroom:

1. Setting the Stage — Organize the room so that the three option groups face a row of desks reserved for the Joint Committee of Congress on Economics. The citizen lobbyists should be seated behind the committee members. Distribute "Evaluation Form" to the committee members. Instruct members of the Congressional committee to fill out the first part of their "Evaluation Form" during the course of the period. The second part of the worksheet should be completed as homework.

2. Managing the Simulation — Explain that the simulation will begin with three-to-five minute presentations by the spokespersons for the option groups. Encourage the spokespersons to speak clearly and convincingly.

3. Guiding Discussion — Following the presentations, invite members of the Joint Committee of Congress on Economics to ask cross-examination questions. Make sure that each committee member has an opportunity to ask at least one question. The questions should be equally distributed among all three option groups. If time permits, allow citizen lobbyists to ask questions as well. During the cross-examination period, allow any option group member to respond. (As an alternative approach, permit questions after each option is presented.)

Homework:

Students should read each of the three options in the student text (pages 17-22), then moving beyond these options they should fill out "Focusing Your Thoughts" (TRB-23) and complete "Your Option Four" (TRB-24).

Name:

Day 4

Evaluation Form
Joint Committee of Congress on Economics

Part I

What was the most persuasive argument presented in favor of this option?

Option 1

Option 2

Option 3

What was the most persuasive argument presented against this option?

Option 1

Option 2

Option 3

Part II

Which group presented its option most effectively? Explain your answer.

Beyond the Options

Objectives:

Students will:

- Articulate coherent recommendations for U.S. trade policy based on personally held values and historical understanding.
- Compare and contrast values and assumptions with classmates.
- Identify factors that distinguish classroom attitudes toward U.S. trade policy.

Required Reading:

Students should have read each of the three options in the student text (pages 17-22), then moving beyond these options they should have completed "Focusing Your Thoughts" in the Teacher's Resource Book (TRB-23) and "Your Option Four" (TRB-24).

Handouts:

- "Classroom Survey" (TRB-25).

In the Classroom:

1. Analyzing Beliefs — Call on members of the Congressional committee and the citizen lobbyists to share their evaluations of the option groups. Which arguments were most convincing? Which beliefs were most appealing? To what extent do the options address the concerns of Americans?

2. Student Options — Review the beliefs in "Focusing Your Thoughts," noting the relationship between beliefs and policy options. Call on students to explain how their beliefs guided their responses in "Your Option Four."

3. Surveying Classroom Views — Distribute "Classroom Survey" and ask students to complete the form individually. After students finish the assignment, call on them to indicate their responses with a show of hands. Tally student responses on the "Teacher's Recording Form" (TRB-26). Call on students to analyze the views of the class. Do the results reflect the general outlook of the local community? How did student attitudes change as a result of the unit? How would the responses of the class likely differ from a survey of Americans nationwide? What factors (e.g., local economic conditions, age, region, class, etc.) account for the differences?

Extra Challenge:

As homework, instruct students to write a letter to a member of Congress, the president, or the editor of a local newspaper expressing their views on U.S. trade policy. The first part of the letter should analyze the results of the classroom survey and outline the leading concerns of the class. In the second part, students should summarize their responses to "Your Option Four" and explain their positions on current trade issues.

Encourage students to further explore the local dimension of trade issues. For example, which businesses have the most at stake with respect to NAFTA and the WTO? How would the expansion of NAFTA to other countries in the Western Hemisphere or the creation of a Pacific Rim trading bloc affect the local community? Which other trade issues are likely to strike a deep chord locally? Suggest that students contact local organizations that seek to make their voices heard in the debate on trade issues. Business associations, labor unions, and environmental groups are especially active in the political battles over trade. Local political leaders could also be asked to express their opinions on the subject.

Name: Day 5

Focusing Your Thoughts

Instructions: You have had an opportunity to consider three options on U.S. trade policy. Now it is your turn to look at each of the options from your own perspective. Try each one on for size. Think about how the options address your concerns and hopes. You will find that each has its own risks and trade-offs, advantages and disadvantages. After you complete this worksheet, you will be asked to develop your own option on this issue.

Ranking the Options

Which of the options below do you prefer? Rank the options, with "1" being the best option for the United States to follow.

____ **Option 1: Promote Free Trade**

____ **Option 2: Protect American Workers**

____ **Option 3: Put Global Values First**

Beliefs

Considering the statements below will help you answer the first three questions of "Your Option Four." Rate each of them according to your personal beliefs:

1 = Strongly Support
2 = Support
3 = Oppose
4 = Strongly Oppose
5 = Undecided

____ The economic prosperity of our trading partners contributes to the prosperity of Americans as well.

____ In the global economy, one country's gain is usually another country's loss.

____ The government should not sacrifice our values for economic prosperity.

____ Promoting human rights and protecting the global environment are important tasks for our country.

____ The success or failure of trade policy should be judged by how it affects American workers.

____ The main economic goal of U.S. policy should be promoting the overall growth of the U.S. economy.

____ Our country's leadership role in upholding the international economic system has contributed to peace and prosperity at home and abroad.

____ Our trading partners have taken advantage of U.S. policies to enrich themselves at our expense.

____ Government involvement in the economy interferes with the free market and undermines our economic strength in the long run.

Creating Your Own Option

Your assignment is to create an option that reflects your own beliefs and opinions. You may borrow heavily from one option, or you may combine ideas from two or three options. Or you may take a new approach altogether. There are, of course, no perfect solutions. And there is no right or wrong answer. Rather, you should strive to craft an option that is logical and persuasive. Be careful of contradictions. For example, we cannot raise tariffs to protect American auto workers and at the same time be seen as an international champion of free trade.

Name:

Your Option Four

Instructions: In this exercise, you will offer your own recommendations for U.S. trade policy. Your responses to "Focusing Your Thoughts" should help you identify the values of your proposal.

1. What should be the most important principle guiding U.S. trade policy?

2. What should be the role of the government in the U.S. trade policy?

3. What image of the United States does your option project to the rest of the world?

4. What current trade issue is most important for your option?

5. What are the two strongest arguments opposing your option?

   a.

   b.

6. What are the two strongest arguments supporting your option?

   a.

   b.

Classroom Survey

By answering the questions below, you will have an opportunity to compare your views with those of your classmates.

Part I: *Respond Y (yes) or N (no) to the following questions.*

___ The United States should stand up for the principle of free trade.

___ The United States should punish countries with unfair trade practices by closing American markets to their exports.

___ The United States should use economic sanctions or trade embargoes to punish countries with poor human rights records or weak environmental standards.

___ The interests of American workers should be our top priority in charting U.S. trade policy.

___ The overall growth of the U.S. economy should be our leading goal in determining U.S. trade policy.

___ U.S. trade policy should serve the foreign policy goals of promoting human rights and protecting the environment throughout the world.

___ U.S. trade policy should focus only on promoting the economic interests of the United States.

___ Government involvement in the economy interferes with the free market and undermines our economic strength in the long run.

Part II: Below are three courses of action that the United States could pursue. Rank each course of action 1-3, with "1" representing the strongest agreement.

___ 1. The United States should give top priority to upholding the principles of free trade in order to promote U.S. economic growth, even if some Americans will suffer because of changing trade patterns.

___ 2. The United States should give top priority to developing trade policies that protect the interests of American workers, even if the pace of U.S. economic growth is slower.

___ 3. The United States should pursue trade policies that place global values before trade, even if it means the loss of some economic opportunities.

Teacher's Recording Form

Part I: *Record student responses to the following questions.*

Yes	No	
___	___	The United States should stand up for the principle of free trade.
___	___	The United States should punish countries with unfair trade practices by closing American markets to their exports.
___	___	The United States should use economic sanctions or trade embargoes to punish countries with poor human rights records or weak environmental standards.
___	___	The interests of American workers should be our top priority in charting U.S. trade policy.
___	___	The overall growth of the U.S. economy should be our leading goal in determining U.S. trade policy.
___	___	U.S. trade policy should serve the foreign policy goals of promoting human rights and protecting the environment throughout the world.
___	___	U.S. trade policy should focus only on promoting the economic interests of the United States.
___	___	Government involvement in the economy interferes with the free market and undermines our economic strength in the long run.

Part II: *Tally student preferences regarding the following policy options, with "1st" representing the first choice of students.*

1. The United States should give top priority to upholding the principles of free trade in order to promote U.S. economic growth, even if some Americans will suffer because of changing trade patterns. 1st___ 2nd___ 3rd___

2. The United States should give top priority to developing trade policies that protect the interests of American workers, even if the pace of U.S. economic growth is slower. 1st___ 2nd___ 3rd___

3. The United States should pursue trade policies that place global values before trade, even if it means the loss of some economic opportunities.

Key Terms

Part I: The Global Economic System—Made in the U.S.A.

globalization
global marketplace
manufacturing jobs
international labor market
markets
exports
consumers
imports
investors
stock market
international capital flows
U.S. trade policy
tariffs
consumer goods
protectionist measures
regional trading bloc
global free trade
free trade
economic recovery
foreign policy
trade barriers
per capita
GDP
economy
manufacturing output
capital
budget deficit
trade deficit
per capita income
goods and services
labor market
capital market
developed world
developing world
service sector
productivity
industrial output
welfare state
fascism

Part II: How U.S. Trade Policy Affects Us

commerce
inflation
low-wage countries
open markets
poverty line
unskilled workers
monopoly
customer base
market-share
foreign investment
trade surplus
economic liberalization
economic growth
competitiveness
pension plan
military sector

Part III: Rethinking U.S. Trade Policy

consumer confidence
corporate downsizing
mutual funds
fiscal policy
market access
non-tariff barriers
transnational corporations
labor standards
sovereignty
consumer demand
non-governmental organizations

U.S. Trade Policy Issues Toolbox

Globalization: The term globalization is used to describe today's changing international economic environment. The end of the Cold War and the rapid growth of new technologies in computing, communication, and transportation have created the conditions for a highly dynamic and more open world economy. With these technological advances, the cost of doing business around the world has dropped significantly. At the same time, the conclusion of the Uruguay Round of the GATT and the formation of the WTO in 1993, encouraged increased trade between nations. These conditions combined to create not only economic opportunity but also economic, cultural, and social dislocation. While the WTO has set standards for international trade that create economic opportunities, activists have begun to demand that the WTO also deal with the issues of dislocation. U.S. trade policy and its role in globalization has come to be seen as a positive force by some and a destructive force by others.

Free Trade: Advocates of free trade believe that all barriers to trade between nations should be at the lowest possible levels. In the early 1800s, the English economist David Ricardo outlined the benefits of trade between nations. His argument states that each and every nation has a comparative advantage in producing a certain good and stands to benefit by trading that good. Advocates still cite Ricardo and argue that free trade will help the poorest countries enter the developed world. Critics warn of a "race to the bottom," where the lowest wages, environmental standards, etc., will prevail in the market-place.

Trade Barriers and Protectionism: Over the years, barriers to trade have been put up to protect particular domestic industries and workers. This is often referred to as protectionism. These barriers are often in the form of tariffs (a tax placed on imports). Other forms of protection are known as non-tariff barriers (NTBs). Some examples of NTBs are quotas, content requirements, licensing fees, and standards related to product quality and safety.

Sovereignty: The absolute right of a state to govern itself. The UN Charter prohibits external interference in the internal affairs of a sovereign state without the state's consent. By agreeing to the WTO's uniform standards for trade, some nations have had to change some of their domestic laws. International trade agreements, though consensual, do have an impact on the internal affairs of a state. Some critics contend that the binding nature of the WTO dispute-settlement mechanism infringes far too much on the sovereignty of the state. (For example, a nation's food and safety laws could be ruled as an unfair, non-tariff barrier to trade if they discriminate unfairly against imports. That nation would either have to agree to change its laws or pay compensation to the nation adversely affected by its laws.) In the United States, critics argue that the dispute-settlement panel of the WTO should not be able to make decisions about U.S. laws when its members have not been elected to their position by U.S. citizens. In addition, they argue that when U.S. citizens are not able either to observe or participate in dispute-settlement panel hearings, it subverts the democratic process. Advocates claim that the United States has gained from the binding dispute-settlement mechanism.

Non-Governmental Organizations (NGOs): NGOs are made up of private citizens that have an interest in particular public policy issues. NGOs not only lobby governments to achieve their goals, but more and more they fulfill the role of governments by pursuing their goals in the field. The number of NGOs has grown rapidly in the era of globalization. One example of an NGO is the American Red Cross, well known for its work in the area of disaster relief. There are numerous consumer advocacy, environmental, and labor groups that are deeply concerned about U.S. trade policy. Their presence at the Seattle ministerial meeting of the WTO in late 1999, showed that they would not be ignored when it came to planning trade policy that might have an impact on their lives.

Making Choices Work in Your Classroom

Like the art of cooking, cooperative group learning is a skill that is rarely perfected on the first attempt, either by teachers or students. Yet with careful preparation, guidance, and practice significant gains can be made quickly. No single recipe guarantees success with cooperative learning or the Choices approach in every classroom. That would be impossible, since each classroom differs in its organization and size, and its unique collection of personalities and needs. However, this section of the Teacher's Resource Book offers a variety of ingredients for teachers to use as they adapt Choices curricula to their classrooms. The suggested ingredients that follow have been drawn from educational research on student-centered instruction and, more important, from the experiences of teachers who have used Choices curricula successfully in their classrooms. Educators who have questions about using Choices curricula in their classrooms are encouraged to contact the Choices Education Project in writing, or by calling (401)863-3155. The Choices staff includes experienced classroom teachers who will be pleased to speak with you.

Designing Cooperative Learning Groups

Group Size: The key to successful cooperative group work is having a group assignment that is complex enough to require the participation of all group members. Planning the size and composition of working groups in advance is crucial to the successful use of Choices curricula. Research indicates that the ideal size for a cooperative learning group is four or five students. This is certainly the ideal size for group assignments in Choices units. When using Choices units in larger classes, the size of option groups may be expanded to six or seven students. However, it is important to keep in mind that whenever the number of students in a group is increased, the number of roles and expected outcomes must also be expanded.

Group Composition: A strength of cooperative learning is that it creates opportunities for students to work together in new combinations on challenging tasks. Cooperative learning not only requires the academic skills of reading, writing, and critical thinking, but the interpersonal skills of communication, negotiation, and problem-solving. In most cases, this style of instruction and learning is most effective when students are assigned to groups by the teacher rather than being allowed to work with their friends. While random group selection can be effective, in most classes successful group composition requires that the teacher consider the personalities, strengths, and needs of the students.

Groups comprised of students with diverse strengths, talents, and needs are ideal. For example, artistic students might be assigned to different groups to share their talents and perspectives, while less verbal students could be placed in groups with more outgoing students to help draw them into the lesson. Whenever possible, teachers should try to prevent one student from dominating a group. Explaining the instructions, roles, and ground rules for cooperative learning (see below) helps prevent this. Teachers may choose to group aggressive students with each other, leaving room in other groups for less assertive students to emerge as leaders. Finally, even though the negotiation of roles among the students in a group can be a valuable part of the cooperative learning experience, teachers might choose to assign certain roles, such as group spokesperson, in order to encourage leadership from more reticent students and to keep more aggressive students from dominating.

Students may initially complain about being assigned to groups that do not include their closest friends. We have found that, at the conclusion of the assignment, they will usually express satisfaction with their assigned partners, recognize that they got more accomplished, and sometimes even acknowledge the start of new friendships. The additional time involved in planning group size and composition will pay off when students are actively engaged, debating, and thinking critically.

Preparing Students for Cooperative Learning

Provide Clear Written Instructions: As with any assignment, students benefit from instructions and guidelines that clearly outline expectations and how they will be accomplished. These should be given to students in writing and reviewed with the class. Afterwards, as questions arise within groups, students should refer to the written instructions and attempt to answer each other's questions before asking for the teacher's assistance.

Establish Ground Rules: Especially when cooperative learning is a new experience, students benefit from the establishment of ground rules that are explained before groups are formed. Ground rules must be kept simple, and should be designed to keep students involved and on task. Posting these rules in a prominent place in the classroom can be very effective. An example of simple but effective ground rules for the cooperative group assignments could be:

Everybody has a role (or a job)
Everybody participates
Nobody dominates
Nobody interrupts

These rules can be enforced by appointing one student to serve as the group manager. The teacher can make it clear that one of the group manager's responsibilities is to enforce the ground rules as the group explores its assigned option and prepares its presentation. The group manager might also be required to make sure that members of the group stay on task and attempt to solve problems before asking for the teacher's assistance. Ground rules that are clear and used consistently can, over time, become an integral component of the classroom, facilitating learning and keeping students on task.

Managing the Choices Simulation

Recognize Time Limitations: At the heart of the Choices approach is the role-play simulation in which students advocate different options, question each other, and debate. Just as thoughtful preparation is necessary to set the stage for cooperative group learning, careful planning for the presentations and debate can increase the effectiveness of the simulation. Time is the essential ingredient to keep in mind. A minimum of 45 to 50 minutes is necessary for the presentations and debate. Hence, if only one class period is available, student groups must be ready as soon as class begins. Teachers who have been able to schedule a double period or extend the length of class to one hour report that the extra time is beneficial. When necessary, the role-play simulation can be run over two days, but this disrupts the momentum of the debate. The best strategy for managing the role-play is to establish and enforce strict time limits, such as five minutes for each option presentation, ten minutes for questions and challenges, and the final five minutes of class for wrapping up the debate. It is crucial to make students aware of strict time limits as they prepare their presentations.

Highlight the Importance of Values: During the debate and debriefing, it is important to highlight the role of values in the options. Students should be instructed to identify the core values and priorities underlying the different options.

Moving Beyond the Options

As a culminating activity of a Choices unit, students are expected to articulate their own views of the issue under consideration. An effective way to move beyond the options debate to creating individual options is to have students consider which values in the options framework they hold most dear. Typically, students will hold several of these values simultaneously and will need to prioritize them to reach a considered judgment about the issue at hand. These values should be reflected in their own options and should shape the goals and policies they advocate.

Adjusting for Large and Small Classes

Choices units are designed for an average class of twenty-five students. In larger classes, additional roles, such as those of newspaper reporter or member of a special interest group, can be assigned to increase student participation in the simulation. With larger option groups, additional tasks might be to create a poster, political cartoon, or public service announcement that represents the viewpoint of an option. In smaller classes, the teacher can serve as the moderator of the debate, and administrators, parents, or faculty can be invited to play the roles of congressional leaders. Another alternative is to combine two small classes.

Assessing Student Achievement

Grading Group Assignments: Research suggests that it is counterproductive to give students individual grades on cooperative group assignments. A significant part of the assignment given to the group is to cooperate in achieving a common goal, as opposed to looking out for individual interests. Telling students in advance that the group will receive one grade often motivates group members to hold each other accountable. This can foster group cohesion and lead to better group results. It may be useful to note that in addition to the cooperative group assignments, students complete individual assignments as well in every Choices unit. The "Assessment Guide for Oral Presentations" on the following page is designed to help teachers evaluate group presentations.

Requiring Self-Evaluation: Having students complete self-evaluations is an extremely effective way to make them think about their own learning. Self-evaluations can take many forms and are useful in a variety of circumstances. They are particularly helpful in getting students to think constructively about group collaboration. In developing a self-evaluation tool for students, teachers need to pose clear and direct questions to students. Two key benefits of student self-evaluation are that it involves students in the assessment process, and that it provides teachers with valuable insights into the contributions of individual students and the dynamics of different groups. These insights can help teachers to organize groups for future cooperative assignments.

Evaluating Student Options: The most important outcomes of a Choices unit are the original options developed and articulated by each student. These will differ significantly from one another, as students identify different values and priorities that shape their viewpoints. These options cannot be graded as right or wrong, but should be evaluated on clarity of expression, logic, and thoroughness. Did the student provide reasons for his/her viewpoint along with supporting evidence? Were the values clear and consistent throughout the option? Did the student identify the risks involved? Did the student present his/her option in a convincing manner?

Testing: In a formal evaluation of the Choices approach, it was demonstrated that students using Choices learned the factual information presented as well as or better than students who were taught in a more traditional lecture-discussion format. However, the larger benefits of the Choices approach were evident when students using Choices demonstrated significantly higher ability to think critically, analyze multiple perspectives, and articulate original viewpoints, compared to students who did not use this approach. Teachers should hold students accountable for learning historical information, concepts, and current events presented in Choices units. However, a simple multiple-choice examination will not allow students to demonstrate the critical thinking and communication skills developed through the Choices unit. If teachers choose to test students, they may wish to explore new models of test design that require students to do more than recognize correct answers. Tests should not replace the development of student options.

For Further Reading: Cohen, Elizabeth G. *Designing Groupwork: Strategies for the Heterogeneous Classroom* (New York: Teachers College Press, 1986).

Assessment Guide for Oral Presentations

Group assignment: _____

Group members: _____

_____

Group Assessment	*Excellent*	*Good*	*Average*	*Needs Improvement*	*Unsatisfactory*
1. The group made good use of its preparation time	5	4	3	2	1
2. The presentation reflected analysis of the issues under consideration	5	4	3	2	1
3. The presentation was coherent and persuasive	5	4	3	2	1
4. The group incorporated relevant sections of the background reading into its presentation	5	4	3	2	1
5. The group's presenters spoke clearly, maintained eye contact, and made an effort to hold the attention of their audience	5	4	3	2	1
6. The presentation incorporated contributions from all the members of the group	5	4	3	2	1
Individual Assessment					
1. The student cooperated with other group members	5	4	3	2	1
2. The student was well-prepared to meet his or her responsibilities	5	4	3	2	1
3. The student made a significant contribution to the group's presentation	5	4	3	2	1

Alternative Three-Day Lesson Plan

Day 1: See Day One of the Suggested Five-Day Lesson Plan. (Students should have read Part I of the background reading and completed the "Study Guide — Part I" or "Advanced Study Guide — Part I" before beginning the unit.)
Homework: Students should read Part II of the background reading and complete "Study Guide — Part II" or "Advanced Study Guide — Part II."

Day 2: Assign each student one of the three options, and allow a few minutes for students to familiarize themselves with the mindsets of the options. Call on students to evaluate the benefits and trade-offs of their assigned options. How do the options differ in their assumptions about the benefits of free trade? How would the government's role in the economy change according to the recommendations of the options? Ask students to consider the options from the perspective of the characters in Part II of the background reading (Judy, Vicky, Al, and Gerald). What factors would influence their views of the options? Moving beyond the options, students should imagine that they are participating in a meeting of the Joint Committee of Congress on Economics. What aspects of U.S. trade policy would most concern them?
Homework: Students should complete "Focusing Your Thoughts" and "Your Option Four."

Day 3: See Day Five of the Suggested Five-Day Lesson Plan.

Notes

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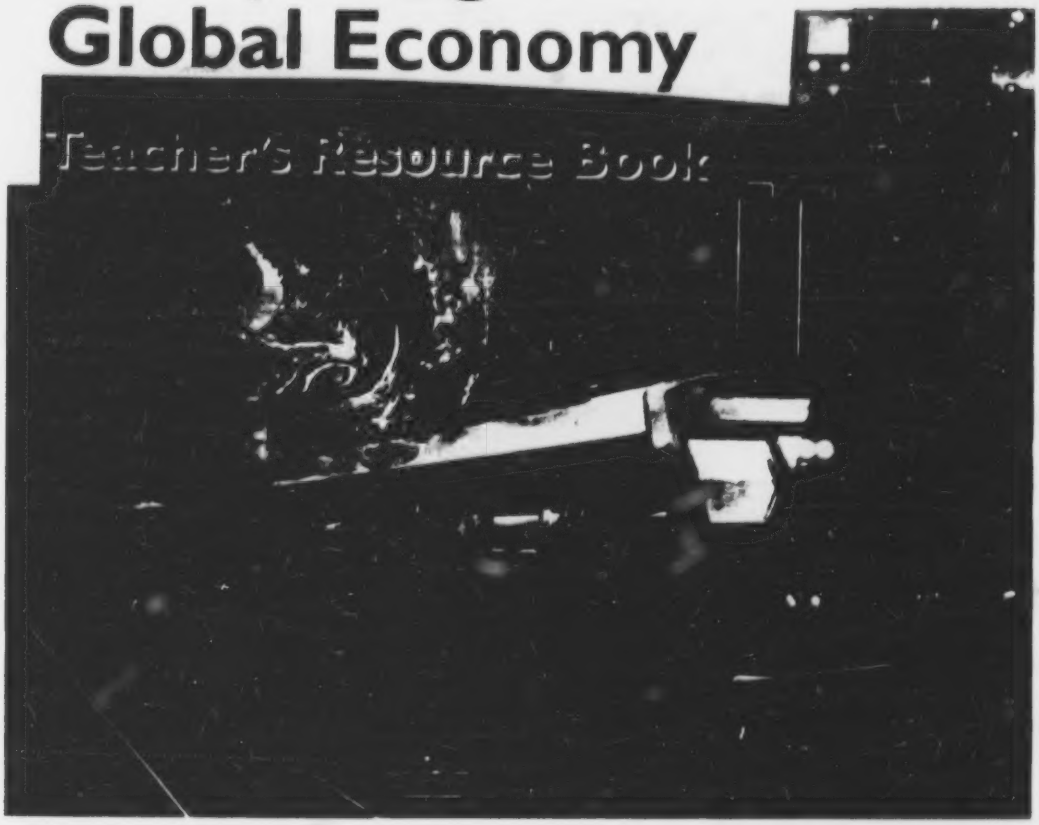

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Thomas J. Biersteker
Director

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Part I: The Global Economic System—Made in the U.S.A.

Just outside of Chicago, the Bison Gear and Engineering plant represents an American economic success story. The company has relied on engineering skill and streamlined production to establish itself as a world-class manufacturer of transmission gears. Many of Bison's orders come from Western Europe, where factory managers rely on the company's custom-designed gears to regulate the speed of intricate machinery.

About 400 miles away in southern Kentucky, the economic future looks much less bright. One of the region's leading employers, Fruit of the Loom, has cut its work force by over half since 1995, trimming 6,000 jobs from its payroll. The downsizing in Kentucky has been offset by an expansion of Fruit of the Loom's manufacturing operations in Mexico, Central America, and the Caribbean.

Bison and Fruit of the Loom make up a tiny slice of America's economy. Together, however, they illustrate the uneven impact of globalization and foreign trade on the American economic landscape.

How has the U.S. economy changed since the 1970s?

Since the early 1970s, and especially during the 1990s, Americans have been scrambling to keep up with the relentless pace of economic change. As a growing share of the U.S. economy has become linked to trade, American businesses and workers have been forced to compete in a global marketplace. Our country's flagship corporations have been struggling to hold down costs and boost efficiency. Many have moved factories and manufacturing jobs overseas. Wages for millions of American workers have been held down by the pressure of the international labor market.

For companies quick on their feet, new markets have opened up for American exports. At the same time, American consumers have been able to choose from a wide array of imports, and millions of investors have reaped the rewards of placing their savings in foreign and stock markets and international capital flows.

In this unit, you will have an opportunity to consider the forces of economic globalization and the policy choices that affect our economic lives. At the heart of the issue is the direction of our country's trade policy. In particular, you will weigh the controversies surrounding the World Trade Organization (WTO), which includes more than 130 countries, and the North American Free Trade Agreement (NAFTA), which unites the United States, Mexico, and Canada in a single market.

The most important questions, however, go beyond specific trade pacts. Rather, they focus on what the goals of U.S. trade policy should be. Should tariffs be raised to protect the American economy and workers from foreign competition, or should they be kept low to provide a wide selection of consumer goods and to promote innovation among American industries? Does membership in the World Trade Organization impinge upon our right to make our own rules and to govern ourselves or does it help us fight the unfair trading practices of other countries? And what of the connection between international trade and foreign policy issues? Should we be using trade policy as a tool in promoting human rights and democracy or protecting the environment, or should these remain in a separate domain?

The background reading that follows has been designed to help you consider these and other questions. The first part explains how the global economic system developed in the decades after World War II. Part II illustrates the impact of trade policy on the lives of four Americans, while the final part of the reading discusses leading trade policy issues.

Setting Rules for a Global Market

For its first century and a half, the United States shielded fledgling manufacturing industries from foreign competition while assertively seeking out new markets overseas. U.S. import tariffs remained above 30 percent (as compared to under 3 percent today). U.S. leaders felt at the time that the country's economy would require decades of protectionist measures to catch up with British industry and consequently saw few benefits in free trade.

How did the Great Depression influence U.S. trade policy?

The stock market crash of 1929 and the Great Depression that followed had immediate and long-term consequences for U.S. trade policy. At the peak of the depression one in four Americans was unemployed. Millions went hungry and many lost their homes. In an attempt to protect American industries, Congress passed the Hawley-Smoot Tariff Act in 1930. Raising tariffs to over 50 percent on over 1000 items, the law reduced U.S. imports by half within eighteen months. However, it had the unintended consequence of affecting exports in the same way. This created additional hardships, including increased unemployment and the near total collapse of the banking system in the United States and in Europe, thereby worsening the depression already underway there. The Hawley-Smoot Tariff Act not only made the depression worse, it also helped create the economic and political conditions for the rise of fascism in Europe.

What strategic concerns helped shape American trade policy after World War II?

World War II dramatically altered the American worldview. At the close of the war, George Kennan, the architect of the U.S. strategy for containing the Soviet Union, maintained that there were five centers of industrial and military power: the United States, the Soviet Union, Britain, Germany and central Europe, and Japan. To stop Soviet expansion, Kennan held that the United States needed to ensure that the other three powers were pro-American and economically strong.

> *A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power—and that such a rise encourages a better standard of living in neighboring countries with whom it trades.*
>
> *Franklin Delano Roosevelt*

President Harry Truman and his successors followed Kennan's recommendations. Leaders of Truman's generation believed that free trade was crucial to the health of the U.S. economy and the stability of the West. Recalling the negative effects of the tariffs of the 1930s, Truman's top priority was to restore the prosperity of American trading partners in Western Europe. The key element in promoting Western Europe's recovery was the Marshall Plan. From 1948 to 1952, the United States supplied $12.5 billion (equivalent to about $87 billion in 1989 dollars) in aid to the region.

What was the purpose of the GATT?

To lower trade barriers in the non-communist world, the United States pressed for the establishment of the General Agreement on Tariffs and Trade (GATT). GATT hastened the trend toward a global trading system by laying out a set of ground rules among the twenty-three original members. From GATT's founding session in Geneva in 1947, when import tariffs worldwide averaged about 40 percent, the United States carried the banner of free trade through six additional rounds of negotiations.

The United States also encouraged trading partnerships in Western Europe and East Asia. In 1957, the six-nation European Economic Community emerged. The trading bloc (known today as the European Union) eliminated many restrictions on the movement of people, goods, services, and capital among member nations. Today, the European Union (EU) represents an economy larger than that of the United States.

In East Asia, U.S. policies helped make Japan a regional hub of economic activity. As the Japanese economy took off, it developed close economic ties with important U.S. allies in the region. The success of East Asia's "four tigers" — South Korea, Taiwan, Hong Kong, and Singapore — was part of a larger U.S. effort to strengthen countries on the front line of the struggle against communism.

During their economic recoveries, the countries of the EU and East Asia relied on high tariffs to nurture their key industries. In contrast, American tariffs were held at relatively low levels. U.S. leaders consistently championed the principles of global free trade embodied in GATT, while rejecting U.S. participation in a regional trading bloc like the EU. At the same time the United States maintained various forms of protection for some its industries such as textiles, agriculture, and defense.

How did free trade help the United States?

The cause of free trade served both U.S. economic and foreign policy interests. As trade barriers fell, world trade in merchandise increased from $53 billion in 1948 to nearly $1.5 trillion in the mid-1970s, to more than $6.3 trillion today. American exports soared. At the same time, access to the American market helped Japan and Western Europe recover from World War II, thus strengthening the United States' key allies.

> *The founders of the GATT drew the obvious lessons. For living standards and growth, trade is not a luxury but a necessity. In strategic terms, trade is an invaluable support to peace.*
>
> *Charlene Barshefsky, United States Trade Representative*

At the beginning of the Cold War, few U.S. leaders imagined that the countries of East Asia and Western Europe would soon offer competition to U.S. industries. In 1950, the per capita gross domestic product (GDP) of the United States was nearly seven times Japanese per capita GDP. By the early 1990s, according to some measurements, Japan and several Western European countries had pulled ahead of the United States in per capita GDP.

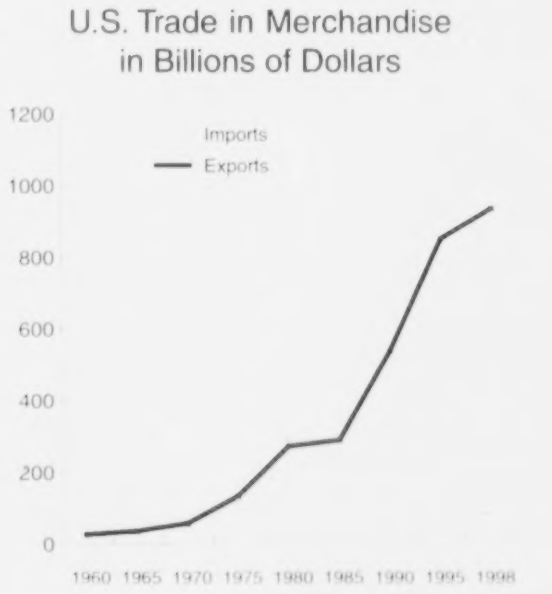
The Pressures of Globalization

At the beginning of the 21st century, the U.S. economy is among the world's largest — surpassed only by the European Union and over twice the size of our nearest national competitor, Japan. The U.S. dollar serves as the accepted currency of international trade. The United States leads the world in exports. The United States also maintains a lead in many of the future's most promising industries, including biotechnology, telecommunications, and environmentally friendly products.

Today's economy also reflects the growing interdependence of peoples, economies, nations, and issues. With advances in technology and a proliferation of 24-hour news networks, information is no longer the sole province of the wealthy, large corporations, or governments. Today, an American citizen's economic well-being is inextricably linked to international trade relationships and international financial markets.

How has U.S. domination of the world market for manufactured goods changed?

However, the United States no longer dominates the world economy as it did in 1950. At that time, U.S. manufacturing output accounted for roughly half of the world total (compared to slightly over one-fifth



today). Americans have watched their automobile, steel, and consumer electronics industries lose ground to foreign competition. Whereas in 1950 countries throughout the world turned to the United States as a source of capital, today the United States is the world's biggest borrower. Budget deficits forced the United States to rely on foreign lenders to finance government spending. In addition, the United States now suffers chronic trade deficits instead of the trade surpluses routinely recorded in the 1950s and 1960s.

The relative change of the U.S. position in the international economy does not mean that the United States has become poorer. On the contrary, U.S. per capita income has continued to increase even as countries in Western Europe and Japan have caught up economically with the United States. What has changed is the nature of the global economy. Goods and services now cross borders at an ever more rapid pace, and the market for labor and capital has acquired an increasingly global character.

U.S. corporations have sought a competitive edge by taking advantage of cheap labor in Latin America and Asia. Meanwhile, Japanese and Western European companies have invested in the United States, hoping to benefit from American research expertise and to tap the huge American market.

On a still larger scale, the global balance of economic strength is shifting from the developed world to the developing world. Developed countries will see their share of global output drop from 56 percent to below 40 percent by 2020. In turn, developing nations will continue to surge forward.

Winners and Losers

Ultimately, the question of the U.S. economy's health hinges on perspective. Many economists view the 1980s as a pivotal decade, when American firms recognized the trend towards globalization and improved their efficiency. Others recognize the last two decades as a period of decreasing expectations for many Americans.

How have growing export markets helped U.S. companies?

U.S. exports expanded in many high-tech fields, ranging from microelectronics to telecommunications equipment. As a result, the United States has widened its lead in world export share during the last decade.

A growing share of U.S. exports are generated by a vibrant service sector that employs Americans in industries ranging from business insurance to computer software to international hotel management. American workers have recorded strong gains in productivity too, especially as the economy emerged from the 1990-91 recession. Overall, the opening of new markets has proved to be a boon for American business. Most business executives, especially those in export-oriented areas, are optimistic regarding the United States' ability to compete globally.

How has growth in trade affected low and middle-income Americans?

The growth in trade has also given American consumers a wider range of products to buy. The increased competition has forced producers to improve quality and hold down prices. Low-income Americans, who spend a larger share of their money on consumer goods, have been among the prime beneficiaries of lower prices.

But while U.S. trade opportunities have expanded and new consumer goods have entered the market, most American manufacturing workers have not welcomed competition on a worldwide scale. They fear that the forces of open trade threaten their way of life. Statistics suggest that they have cause for concern. From 1979 to 1995, U.S. industrial output doubled, and yet hourly wages fell. Roughly 3 million manufacturing jobs were lost in the United States during the period. As the share of workers with health and pension benefits declines, some economists calculate that Americans in the labor force under the age of 30 will earn less than their parents earned in their lifetimes.

In 1995, after four years of economic expansion, the income of an average American household rose for the first time since 1989. However, the gap between rich and poor in our country has widened. In 1998, the top fifth of American households earned 49.2 percent of the nation's income, while the bottom fifth earned just 3.6 percent.

Undoubtedly trade creates winners and losers. A good case can be made that the winners win more than the losers lose, so the overall effects of trade are positive. But the distributional impacts can't be ignored. The political reality is that winners don't compensate losers. The only way those who lose from free trade can hope to be compensated is if they actively oppose it.

Robert Reich, former Secretary of Labor

What steps did the U.S. take to increase its economic competitiveness?

During the mid 1990s, the United States took dramatic steps to hone economic competitiveness. Both Republicans and Democrats embraced the cause of trimming the welfare state and eliminating the federal budget deficit. In the private sector, business executives have been rewarded for squeezing worker benefits and holding down wages.

At the turn of the new century, the American economy was moving along a significantly different track than the economies of Western Europe. Whereas the American economic model was characterized by high growth, low unemployment, stagnant wages, and often jarring change, Western Europe was wedded to maintaining job security and stability, even as performance sputtered. During the 1990s, the U.S. economy generated nearly 19 million new jobs and pushed unemployment below 5 percent, while the jobless rate in Western Europe hovered around 10 percent.

Trade is not the only reason for the changing economic dynamics in our society. Technological advances, high levels of immigration, and the decline of labor unions have also been important factors. Nonetheless, trade issues have become a lightning rod for the larger debate on America's economic direction.

Glossary of Economic Terms

Free market system: An economic system in which the basic questions of what, for whom, and how to produce are decided by buyers and sellers. In a planned economy, such as the system of the old Soviet Union, most economic decisions are made by the government.

Import tariffs: A tax placed on imports. Because high tariffs increase the price of imported products, they protect domestic producers from foreign competition. Japan has maintained high tariffs on imported rice to protect its rice farmers.

Trading bloc: An arrangement to promote trade among member countries by reducing tariffs, regulations, and other obstacles to the free movement of goods and services. NAFTA and the EU are the world's largest trading blocs.

Capital: The economic assets that contribute to production. Investment capital allows business owners to acquire the machinery, knowledge, and other tools of capital that are necessary for the production of goods and the generation of services.

Gross domestic product (GDP): The total value of goods and services produced in a country during one year. Another indicator of economic output, gross national product, is also widely used by economists.

Trade deficit: An excess of imports over exports. The United States, for example, has a large trade deficit with Japan because the value of Japanese products, especially automobiles, bought by Americans is greater than the value of American products bought by Japanese.

Maquiladoras: Initiated by the Mexican government in 1965, the *maquila* program has allowed foreign companies to assemble imported products tax-free, for immediate re-export, in factories along the Mexican-American border. These export factories have created more than half a million jobs in Mexico. The *maquiladoras*, however, have also increased pollution in northern Mexico.

Pacific Rim: The nations of the Western Hemisphere, East Asia, and Oceania that border the Pacific Ocean. The Pacific Rim accounts for over half of the world's economic output and is home to most of the fastest growing economies.

Non-tariff barriers: Standards, regulations, and local business practices that impede imports. Although GATT succeeded in lowering tariffs worldwide, non-tariff barriers have been more difficult to eliminate.

Industrial policy: A government strategy to steer economic development by promoting particular industries through regulatory policies, investment, tax incentives, and other government measures.

Part II: How U.S. Trade Policy Affects Us

Debate over U.S. trade policy often revolves around theories and formulas that are designed to measure the performance of the economy in statistical terms. The individual profiles that follow go beyond the details of specific trade agreements to consider how trade policy relates to the lives of four Americans. Although the characters are not real, their hopes and concerns typify attitudes found throughout the country.

Profile #1 — Judy

Judy lives in a New England city with a long industrial history. Like many people in her neighborhood, she works in a jewelry factory assembling earrings and necklaces. She is a high school graduate, but with three children to raise Judy has not found the time for further education. Along with many of her co-workers, Judy is worried about the future of her job.

Judy, now in her mid-40s, has worked in the same non-union factory for twelve years. During that time, her salary has barely kept up with inflation. In 1989, she was making $8.75 an hour. Judy's employer offers a health plan, but since the late 1980s benefits have been steadily reduced while the contribution required from employees has increased. Although Judy would like to find a better job, she considers herself lucky to have steady work, as there have been a number of layoffs in her factory. Three years ago, a nearby jewelry factory closed down when manufacturing operations moved to Malaysia.

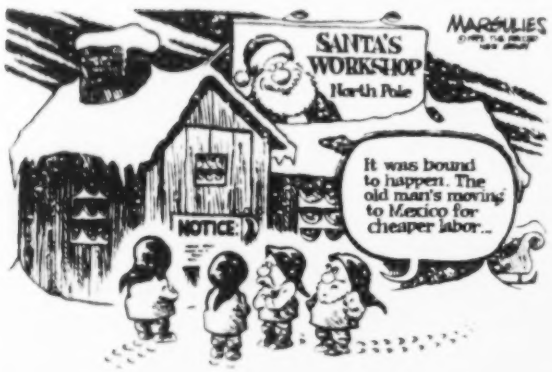
Judy has come to recognize that her factory is competing against low-wage countries in Latin America and Asia. For her, free trade represents a threat. She realizes that some American businesses will benefit from more open markets, but feels that American workers have little to gain.

The trends of the past two decades justify Judy's concerns. Since 1979, the proportion of full-time working people unable to earn enough to keep their families above the poverty line has increased by 50 percent. The 70 million American workers who, like Judy, are classified as unskilled have found themselves competing with workers in developing countries for jobs. Global economic pressures have also encouraged many companies to reduce their work forces. The largest cuts in the 1990s came from the giants of American industry. General Motors, for example, laid off 70,000 workers, while IBM slashed 63,000 jobs. Even after a year of healthy profits, AT&T announced in early 1996 that it would eliminate 40,000 jobs over the next three years.

As free trade expands, workers like Judy face greater competition from their counterparts in developing countries. Wages in Mexico, for example, average one-sixth of U.S. levels. Although the average Mexican worker has only a sixth-grade education, productivity in some factories is equal to U.S. standards. Under NAFTA, more companies are expected to take advantage of Mexico's cheap labor costs and easy access to the American market.

Even before NAFTA's approval in 1993, hundreds of American and East Asian firms had set up assembly plants in Mexico, known as *maquiladoras*, that put together goods for shipment across the border. About 60 percent of U.S. merchandise exports to Mexico consists of the transfer of goods between U.S. and Mexican factories within the same American company. The *maquiladora* experience has provided American manufacturers with valuable insights into managing overseas factories that can be applied far beyond Mexico's borders.

Judy wants the protection of American jobs to be



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the top priority of U.S. trade policy. She also hopes that the government will help workers adjust to the impact of changing trade patterns. She believes training workers in new job skills would be helpful. The government, she feels, should encourage companies to invest more in the education of their workers. Firms in Germany, Japan, and other developed nations are well ahead of the United States in worker training. Furthermore, many students in these countries finish their high school education by taking part in advanced apprenticeship programs. Judy would like to see such opportunities for her children.

Profile #2 — Vicky

Vicky lives in Atlanta, the city that has been her home since she found a job there as a sales representative for a telecommunications firm. Vicky, who will soon be 30 years old, has had a strong interest in international business since high school. In her senior year, she served as an intern at a company that sold aviation equipment to East Asia. In college, Vicky spent a year in Taiwan on a student exchange program. Her experience abroad led Vicky to change her major to international marketing.

Since graduating, Vicky has worked for three different telecommunications companies. At her current job, Vicky is part of a division that markets cellular telephones to businesses. Her division has increasingly found customers in the Caribbean and Latin America, where poor telephone service makes cellular communications an appealing option. The Mexican market, once heavily protected, has seen the highest rates of growth. Opportunities in Mexico began to open in 1990, when the government sold the state-run communications monopoly, Telefonos de Mexico, to private investors.

Under NAFTA, the barriers that have shielded Mexico's telecommunications industry are being lowered further, and Vicky's company is well-positioned to widen its customer base. In Mexico City, for example, thousands of businesses already rely on cellular telephones as an alternative to Telefonos de Mexico. By promptly connecting new accounts and offering a variety of service packages, Vicky's company hopes to capture a sizable share of the Mexican market.

In the next few years, company executives also hope to gain a foothold in China. Vicky would be a key part of her company's operations. Not only does she speak Chinese, but also Vicky has acquired international business experience through her previous jobs. China's leaders, however, have tightly limited the sphere of foreign investment. China has been particularly slow in opening its economy to foreign companies that specialize in business services, such as Vicky's firm.

Assuming trade barriers fall in China and other countries, American companies that provide business services such as banking, insurance, advertising, and telecommunications are ready to take advantage of new opportunities. The ethnic and cultural diversity of the United States, along with the worldwide acceptance of American business standards, should give Americans a competitive edge.

Trade as a Percentage of GDP (1998)

Economists note that the United States has shifted away from manufacturing bulky goods and moved toward a high-technology, information-oriented economy. When services are taken into account, the U.S. trade picture brightens considerably. In 1998, for example, the United States imported $247 billion more in merchandise than it exported. At the same

time, the United States enjoyed an $82 billion trade surplus in services. American exports of commercial services consistently have led the world, typically doubling the total of the United States' nearest competitor. More open trade is expected to give an added boost to the service sector.

Profile #3 — Al

Al lives in a small Midwestern city that has been dominated by the automobile industry for most of this century. When Al was growing up, Al's relatives and neighbors worked either in the General Motors (GM) factory or in one of the smaller plants that supplied auto parts. Al always figured that he too would end up working in the auto industry.

In college, he earned an engineering degree, and then went to work for the local GM plant. After ten years with GM, Al and two of his fellow engineers opened a factory that produces gaskets for the engines of GM cars. Now in his late 50s, Al employs more than 100 people and supplies gaskets to GM, Ford, and Toyota factories in the United States and Mexico.

When Al opened his plant, American companies were still the unquestioned leaders of the auto industry. Most of his business, as well as his competition, could be found within a few hundred miles of his home. In the last two decades, companies in Japan and South Korea have entered the U.S. market with greater force, creating a more competitive and global business environment. In 1998, for example, Japanese companies manufactured nearly 2.5 million vehicles in their American plants.

To meet the changing demands of the market, Al has hired more engineers to design new gaskets. He also has streamlined his manufacturing operation to the point where he produces gaskets only for specific orders. This has allowed him to trim his manufacturing costs, and to avoid maintenance expenses for overstocked warehouses.

Al knows his competition worldwide continues to raise productivity levels. Wage costs also concern Al. Full-time workers in Al's factory earn $14 an hour and receive health insurance. Mexican workers performing the same jobs earn about $2 an hour. That gap in wages has Al worried about NAFTA. A number of companies that compete with him set up plants in Mexico in the 1980s. With the approval of NAFTA, others have followed.

There is also a positive side to NAFTA for Al. Mexico is one of the fastest-growing automobile markets in the world and has contributed to the rebound of the U.S. automobile industry. Al has seen his exports to Mexico multiply since 1986, the year when Mexico began a sweeping economic liberalization program. He is part of a trade boom that saw U.S. exports of auto parts to Mexico increase by about 150 percent from 1991 to 1997. Under NAFTA, Mexico's tariffs on cars and light trucks have been cut in half, and tariffs on most auto parts coming into Mexico have been eliminated.

American manufacturers such as Al have reason to be optimistic about broader trends in global trade. From 1992 to 1998, U.S. exports rose 52 percent. About half of U.S. economic growth during the period was tied to exports. Economists note that global competition has forced American companies to improve quality and hold down costs. Even in well-established U.S. export industries — such as agriculture, electrical machinery, aviation, and computer equipment— continued innovation has boosted American competitiveness.

Steve Sack. Reprinted by permission: Tribune Media

PROFILE #4 — GERALD

Gerald is a design engineer with an aviation manufacturer in Southern California. For twenty-five years, Gerald has been designing fighter planes for the U.S. Air Force and several of our country's allies abroad. With his 65th birthday less than two years away, Gerald is ambivalent about the prospect of retirement.

Gerald and his wife, Teresa, have lived comfortably in a Los Angeles suburb for over two decades. Their two children graduated from California universities and have moved out on their own. Every summer the couple visits Mexico, Teresa's native country.

During the 1980s, it was difficult to find a more secure job than Gerald's. Production in the aviation industry, buoyed by a stream of defense contracts, reached an all-time high. Gerald's company was making fighter planes for several clients abroad. In the 1990s, however, cutbacks in military spending rocked the aviation industry. Gerald has seen co-workers suffer pay cuts and, in some cases, get laid off. In addition, doubts have been raised about the security of Gerald's pension plan.

American aviation companies, especially those that depended heavily on military contracts, are eager to find new export markets. Much of their attention has focused on China, where air travel and the demand for aircraft are booming.

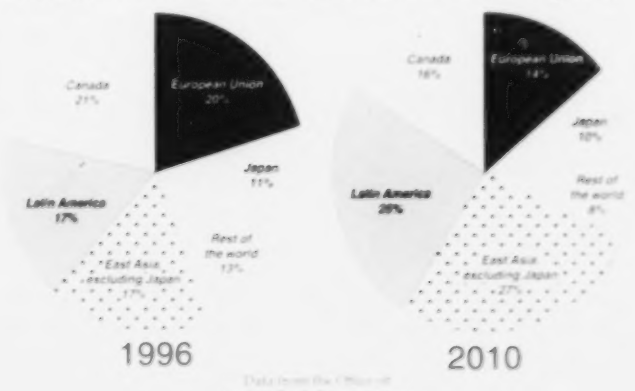
In addition, American aviation firms hope to revitalize the military sector by strengthening their ties overseas. One project involves a cooperative effort between American and Japanese companies to build a fighter plane, the F-2, for Japan. While the American aviation industry is grateful for Japan's decision to order 130 of the fighters, critics have warned that the United States is relinquishing valuable technology to the Japanese that could harm our country's global competitiveness. Citing the television and VCR industries, they fear that the Japanese will apply what they have learned from the F-2 project to challenge American dominance in military and commercial aircraft sales.

As a resident of Southern California, Gerald is in a unique position to assess the impact of increased foreign trade. He is familiar with the optimistic outlook of many local business leaders. They foresee strong economic growth for the area as the U.S. economy tilts toward the Pacific. The passage of NAFTA has generated greater economic activity along the U.S.-Mexican border, accelerating a trend that began in the mid-1980s. From 1988 to 1991, for example, trade between Mexico and California increased 60 percent to more than $10 billion a year.

Along with growth, however, have come problems. Local companies have moved abroad to avoid U.S. standards on environmental protection and worker safety. Not far from Teresa's hometown in northern Mexico there is an industrial park that houses several factories. Teresa's relatives complain that chemical fumes from the plants pollute the air and that untreated waste-water flows into the Pacific Ocean.

Indeed, the industrial belt in northern Mexico near the U.S. border is home to some of the worst pollution in North America. Some corporations have taken advantage of Mexico's comparatively weak environmental laws to avoid the costs involved in addressing industrial pollution. They also know that the agencies assigned to enforce Mexico's environmental laws are seriously understaffed and financially strained. As a result, health experts in Mexico report that factory workers often suffer from ailments related to pollution. American environmentalists maintain that both the pollution and health problems will increasingly extend across the border with the expansion of U.S.-Mexican trade.

Destination of U.S. Manufactured Exports



Data from the Office of the U.S. Trade Representative

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Part III: Rethinking U.S. Trade Policy

At the dawn of the 21st century, the U.S. economy was cruising in high gear. Unemployment was below 5 percent. Inflation held steady at around 3 percent annually. The gross domestic product (GDP) was growing at an impressive clip. The stock market had soared to record heights and corporate profits were stronger than ever. The confidence of American consumers stood at an all-time high.

Americans had good cause to be bullish about their country's economy. After years of corporate downsizing, productivity improvements, and government budget cuts, the U.S. economy had emerged leaner and fitter. Economists lauded the United States for leading the developed world in adjusting to the demands of economic globalization. American companies were again at the forefront of cutting-edge technologies and industries of the future.

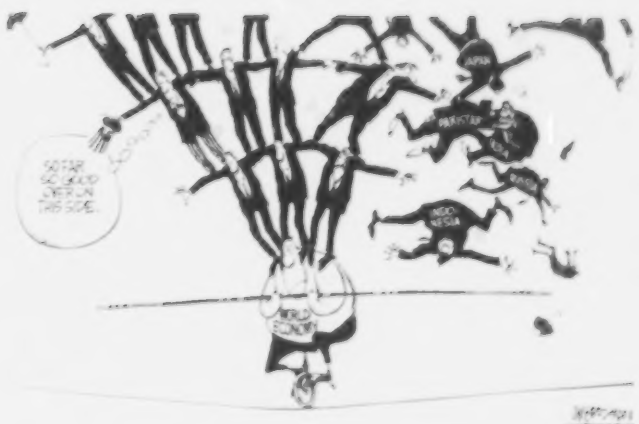
Yet beneath the statistics and the analyses, the pressures of globalization continue to recast the economic landscape and unsettle the lives of millions of Americans. In 1997 and 1998 economic crises in East Asia and Russia sent ripples of fear through the U.S. economy and U.S. citizens. With nearly 60 million Americans holding investments in mutual funds and retirement accounts linked to the performance of economies around the world, international economic policies are no longer the sole worry of large Wall Street investment firms.

For the moment, the United States seems to have turned the forces of change to its advantage. Our society's enthusiasm for innovation and technology has spawned companies that can shift gears at a moment's notice. Economic globalization has opened up a world of opportunity for U.S. exporters. American consumers are able to choose from a cornucopia of imports, and millions of investors are reaping the rewards of the liberalized international capital market. Supporters of free trade contend that this economic expansion has been fueled in large part by the opportunities created by the WTO, NAFTA, and other trade breakthroughs.

In contrast, critics point to numerous problems. The turmoil has left some in our country feeling uneasy. Even as they profess optimism about their economic prospects, Americans understand that the employment security and stability of the past have been swept away. Businesses large and small must learn to compete on a global scale or be left by the wayside. Wages for millions of American workers are being held down by the constraints of the international labor market. The demands of global financial institutions and markets often dictate national fiscal policy and personal economic choices.

The protests at the WTO ministerial meeting in Seattle in November 1999 highlighted the unease generated by the evolving international economic system. Organized labor, environmentalists, human rights activists, non-governmental organizations (NGOs), and others from both ends of the political spectrum descended on the city to protest the WTO. Demonstrations against "globalization without representation" captured the attention of the media and the American public.

In addition, the ability of American firms to expand throughout the world has helped kindle resentment against the "Americanization" of cultures of different nations. Some fear that the cultures and traditions of their countries will be overwhelmed by the values, popular culture, technologies, and lifestyles of the United States. For many overseas, globalization has led to both shifting and uncertain cultural and economic landscapes.



The Economist. Reprinted with permission.

On top of it all, globablization has a distinctly American face: It wears Mickey Mouse ears, it eats Big Macs, it drinks Coke or Pepsi and it does its computing on an IBM or Apple laptop, using Windows 98, with an Intel Pentium II processor and a network link from Cisco Systems. Therefore, while the distinction between what is globalization and what is Americanization may be clear to most Americans, it is not to many others around the world. In most societies people cannot distinguish anymore between American power, American exports, American cultural assaults, American cultural exports and plain vanilla globalization. They are now all wrapped into one.

Thomas L. Friedman
The Lexus and the Olive Tree

In the midst of such upheaval, it is not surprising that the debate on U.S. trade policy is riddled with contradictions and paradoxes. The issues on the U.S. trade agenda demand that we think through our country's place in the global economy and sort out our national priorities.

Redefining Trade Relations

With the end of the Cold War, the national security priorities that guided U.S. trade policy and the alliance system that bound the United States to its trading partners in Western Europe and Japan have lost some of their strategic significance. Consequently, U.S. trade interests are growing in new directions. In the next twenty-five years, for example, developing countries are likely to account for about two-thirds of the increase in world imports. America's exports to the countries of the developing world and the former Soviet bloc, which already represent 40 percent of total U.S. exports, are expected to rise sharply.

How have U.S. leaders promoted trade?

U.S. leaders have attempted to keep pace with the future by actively promoting new trade ties. Their most notable achievements have been the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA). The WTO and NAFTA are both designed to reduce barriers to international trade. The scope of the WTO (previously known as the General Agreement on Tariffs and Trade or GATT) is worldwide, with a membership of more than 134 nations in 1999, while NAFTA is limited to the United States, Mexico, and Canada.

More than any previous trade agreements, NAFTA and the WTO have pushed news about trade policy from the business section to the front page. The congressional debate on NAFTA in the fall of 1993 — followed a year later by the vote on the WTO — drew the heavyweights of business and labor into the ring, and captured the national spotlight for weeks. Demonstrations by thousands of activists at a 1999 meeting of the WTO in Seattle dominated the news for days. Not since the Civil War, when the industrial North and the agricultural South squared off in Congress over import tariffs, have trade issues generated such intense interest.

The last round of WTO talks concluded in 1993 after seven years of negotiations. Free trade advocates were generally pleased that services had been on the agenda for the first time and that the accord produced a major breakthrough in agriculture. The agreement also required participating countries to lower tariffs and respect copyright laws on computer software, music, and other intellectual property. However, several of the thorniest issues — including entertainment and financial services — were not included in the agreement.

What are the U.S. goals for the next round of WTO talks?

Trade specialists are already looking ahead to a further expansion of the WTO. U.S. goals are to expand access for American manufactured and agricultural goods and services. U.S. negotiators are also committed to establishing rules that govern electronic commerce and to making more public participation in the WTO decision-making process easier.

A particularly sensitive issue is removing non-tariff barriers to trade — an area of special interest to

the United States. Over the years, non-tariff barriers have risen worldwide even as the WTO has lowered import tariffs. Some non-tariff barriers are fair. Virtually every country, for example, regulates trade to protect the health and safety of its citizens. For example, the United States prohibits the import of medicines not approved by the Food and Drug Administration. In some cases, however, these rules have been crafted to discriminate against imports. American companies often complain that the close relationship between Japanese manufacturers and Japanese retailers effectively keeps American exports out of stores in Japan. Many governments also reinforce non-tariff barriers by favoring local companies in their purchasing decisions.

How does NAFTA differ from the WTO?

The approval of NAFTA marked a departure from the strategy that has driven U.S. involvement in the WTO. Unlike the global scope of the WTO, NAFTA is a regional trade agreement—limited to North America. The goals of NAFTA, however, are much more ambitious than those of the WTO. The WTO sets rules to promote more open trade, while NAFTA aims to eliminate trade barriers entirely. The agreement represents an acknowledgment by American leaders that the United States, like the countries of the EU, is better off in a regional trading bloc. Canada has long been our country's leading trade partner, while Mexico ranks third behind Canada and Japan.

Trade analysts see NAFTA as a source of leverage for the United States in dealing with the countries of the EU and East Asia. NAFTA's most lasting impact, however, may have more to do with our country's changing relationship with Mexico. NAFTA marks a bold attempt to bridge the wide economic gulf between the developed nations of the United States and Canada and the developing economy of Mexico.

Why did the United States loan Mexico $20 billion?

Since NAFTA's implementation, the United States and Mexico have already weathered one financial storm together. In December 1994, confidence in the Mexican peso suddenly collapsed. Within a few weeks, the currency lost nearly half its value against the dollar. To help stabilize the peso, President Clinton came forward with a $20 billion loan. His response left little doubt that NAFTA had increased Washington's stake in the health of the Mexican economy. Mexico repaid the loan nearly 3 years ahead of schedule and with $580 million in interest.

The U.S.-Mexican trade picture reflects the peso's gyrations. During NAFTA's first year, trade between the two neighbors rose over 20 percent and the United States recorded a surplus. A sharp drop in Mexican imports, however, accompanied the fall of the peso. Imports have gradually recovered since the financial crisis, but the U.S.-Mexican balance of trade has remained tilted in favor of Mexico.

What other regional trade agreements is the United States seeking?

United States participation in the WTO and NAFTA will come up for review periodically in the next few years. Meanwhile, the discussion about U.S. trade policy has already moved beyond the current agreements to the possibility of creating a huge new trading bloc involving countries of the Pacific Rim and to broadening NAFTA to incorporate the entire Western Hemisphere.

The initiative in the Pacific Rim revolves around the Asia-Pacific Economic Cooperation (APEC) group. In 1993, Clinton convened the first summit of APEC's eighteen member states and nudged the group toward forming a regional trading bloc. In 1995, APEC members agreed to voluntary guidelines for establishing a free-trade zone. Developed countries would be expected to lower their trade barriers by 2010, while developing nations would be given until 2020. APEC members met again in September 1998 to endorse the upcoming WTO talks and to discuss their handling of the Asian economic crisis.

The potential of a Pacific Rim free-trade zone is indeed tantalizing. The APEC countries, which include China, South Korea, Russia, other East Asian economies, Mexico, the United States, and Canada, are home to more than 2 billion people and account for more than half the world's output. The road to an

Jeff MacNelly, Tribune Media Services

APEC trade pact, however, promises to be bumpy. Most observers believe that APEC is decades away from achieving the tightly knit integration of the fifteen-nation EU.

Progress on the southward expansion of NAFTA could come sooner. In 1994, thirty-four leaders of countries in the Western Hemisphere approved a declaration calling for the formation of a free-trade area in the Americas by 2005. Chile, which is hailed by free-trade advocates as a model of economic reform, is considered first in line to be included in NAFTA. There are also proposals to combine features of NAFTA with those of other regional trade pacts, such as the Mercosur union of Brazil, Argentina, Uruguay, and Paraguay.

What are critics of current free trade agreements concerned about?

The fanfare of economic summits and trade accords has not quieted the debate on the direction of U.S. trade policy. On the contrary, trade policy has become a lightning rod for the larger controversy surrounding economic globalization.

Critics see free trade as a threat to American society. They contend that a wealthy elite has reaped most of the rewards of globalization. In their view, the big winners are transnational corporations that take advantage of cheaper labor costs in Mexico and other countries of the developing world, while the least skilled workers, unable to cope with the economic change, find their wages suppressed and their jobs disappearing.

Others note the trade advantage that some nations have because of their lack of environmental and labor standards. They suggest it is unfair to force Americans to compete against countries that allow unregulated pollution of natural resources and child labor in unsafe conditions.

Some critics suggest that the U.S. should restrict trade relations to countries that respect basic human rights, a policy that the U.S. pursued towards apartheid-era South Africa, for example. Still others complain that the WTO's processes are too secretive and undemocratic.

> *The WTO is not...about free trade. The best thing you could call its 800 pages of regulation is managed trade. Only it's corporate-managed trade, and we want people-managed trade.*
>
> *Lori Wallach, Director, Public Citizen's Global Trade Watch*

Why do critics see the WTO as a threat?

Critics of free trade warn that free trade agreements put pressure on the United States to weaken its standards on environmental protection and worker safety. The WTO has become one of their favorite targets.

Opponents of the WTO fear that the authority of international bureaucrats will increase at the expense of U.S. sovereignty. Under the General Agreement on Tariffs and Trade (GATT), each participating country had the power to veto GATT decisions. The WTO has eliminated this veto power. Instead, member states are obliged to comply with WTO rulings in international trade disputes.

Environmentalists, labor union leaders, and consumer advocates argue that foreign countries will use the WTO to attack U.S. regulations as unfair trade barriers. Laws intended to protect the environment, workers' rights, and the health and safety of consumers could be especially vulnerable.

Before approving the WTO pact in 1994, the U.S. Senate insisted that President Clinton form a panel of

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judges to review WTO decisions. If the panel were to find that the United States had been subjected to three unfair rulings over a five-year period, Congress could vote for U.S. withdrawal from the trade agreement.

Why did the gasoline case concern critics of the WTO?

The WTO's first major ruling in an international dispute gave critics reason for concern. The case was brought by Venezuela and Brazil against the United States. They charged that imported gasoline was held to a stricter standard for emissions in some instances than gasoline produced by American companies. In 1996, the WTO determined that provisions of the U.S. Clean Air Act discriminated against foreign refiners of gasoline. The WTO also acknowledged that the United States had the right to enforce its own laws combating air pollution.

By late 1999, the United States had filed more complaints with the WTO against unfair trading practices than any other country. The United States has won twelve of fourteen decisions decided by the WTO.

What is "fast-track" authority?

As the debate has heated up, progress toward extending NAFTA, formalizing the APEC initiative, and expanding the scope of the WTO has bogged down. Key figures in both the Republican and Democratic parties balked at giving President Clinton "fast-track" authority to negotiate new trade agreements. (Under the fast-track provision, Congress is required to either approve or reject new agreements, but cannot offer amendments.) Trade and the impact of globalization are likely to remain hot-button issues for some time to come.

In fact, the economic impact of recent trade accords is disputed by economists. Some suggest that the actual impact has been much less dramatic than the political rhetoric would suggest. NAFTA, for example, has caused barely a ripple in the overall U.S. employment picture. According to a Clinton administration study released in 1997, the first three years of NAFTA generated, at most, 160,000 new jobs, while displacing about 100,000 workers. Other economists feel that the number of jobs lost is higher and that the new jobs haven't helped the displaced workers.

The Foreign Policy Connection

The trade debate continues to spill over into the realm of foreign policy. With respect to the developing world, trade policy has often been viewed as a tool for promoting democracy, human rights, and environmental protection.

What trade issues affect U.S. relations with China?

Much of the debate has centered on China, the fourth-largest U.S. trading partner in recent years. Critics of China's policies have favored withdrawing Beijing's most-favored-nation status (which allows countries to export goods to the United States at the lowest tariff rates) to convince China to change its ways regarding the use of prison labor, the persecution of political dissidents, the repression of Tibetan culture, and other human rights issues.

President Clinton, however, backed away from his earlier commitment to link U.S.-Chinese trade with Beijing's human rights record. Instead, the Clinton ad-

ministration concentrated on pressing China to crack down on pirate factories that ignore intellectual property rights protecting computer software, music, and other products.

President Clinton has also been a firm advocate for Chinese membership in the WTO, not only because it would be good for U.S. business interests, but because it would promote the rule of law and integrate China into the international system. Critics in the U.S. Congress firmly oppose any U.S. deal to allow China to join the WTO until China improves its human rights record.

What trade issues does the United State have with Japan and Europe?

Meanwhile, trade disputes between the United States and its partners in the developed world have continued to gain attention. American trade relations with Japan are a long-standing sore point. Our country's trade deficit with Japan totaled $64 billion in 1998, larger than the U.S. deficit with any other country. Under President Clinton, the United States took a more assertive tone toward Japan. Clinton pushed the Japanese leadership to boost consumer demand for American goods. Japan's imports from the United States have increased in recent years, but Tokyo has avoided efforts to set specific targets for reducing Japan's trade surplus with the United States.

Disputes with the European Union over restrictions on the import of U.S.-produced hormone treated beef and genetically altered seeds add a wrinkle to relations with Europe.

The impact of globalization is expected to reach into other aspects of American society. For all of our country's problems, the United States offers its citizens better education and health care than most countries in East Asia and Latin America provide. Some economists, however, predict that over time free trade will smooth out some of the differences in the societies of the Pacific Rim and Latin America.

While free trade supporters expect the WTO, NAFTA, and other trade agreements to gradually raise the standards of poorer countries to those of the United States, Japan, and Canada, critics fear that affluent societies will become more like the developing world.

Conclusion

You will have an opportunity in the coming days to consider a range of alternatives for U.S. trade policy. Each of the three viewpoints, or options, that you will explore in the next part of this unit is based on a distinct set of values and beliefs. Each addresses issues involving both trade policy and the government's role in the economy. You should think of the options as a tool designed to help you better understand the contrasting strategies from which Americans may choose.

At the end of this unit, you will be asked to create an option that reflects your own beliefs and opinions about where U.S. policy should be heading. You may borrow heavily from one option, or you may combine ideas from two or three options. Or you may take a new approach altogether. You will need to weigh the risks and trade-offs of whatever you decide. There are, of course, no perfect solutions.

Options in Brief

Option 1 — Promote Free Trade

Since the end of World War II, the United States and many of its chief trading partners have enjoyed unprecedented prosperity and economic growth. Underlying this era of progress have been the principles of free trade. More open trade has provided American consumers with better products at lower prices. Moreover, the growth of trade has cemented our country's alliances with Western Europe and Japan, and built bridges across the lines of politics and culture. More than ever, the United States is in a position today to reap the benefits of free trade. Our technological expertise has given us the lead in many promising industries of the future, including biotechnology, telecommunications, and computer software. To back away now from our commitment to free trade would leave the playing field open to our rivals and remove a key pillar of international stability.

Option 2 — Protect American Workers

For too long, our country's trade policy has served the interests of a small, selfish elite while the rest of us have watched from the sidelines. Our country is producing multi-millionaires at a record rate while millions of hard-working Americans are struggling to support their families on shrinking paychecks. U.S. trade negotiators have opened our doors to imported goods while our competitors have shielded their industries behind high tariffs and impenetrable regulations. The time has come to fight back. U.S. trade policy must put the needs of American workers above the heartless laws of free trade. We must focus on stemming the flow of jobs overseas and protecting our industries from unfair foreign competition. The forces of economic globalization must not be allowed to trample over the lives of the men and women who built this country.

Option 3 — Put Global Values First

The United States should put its values before its wallet. We must recognize that there are issues that are more important to our society than the benefits of free trade or the protection of American workers. In today's world, trade policy is one of the most effective handles we have for addressing a range of global concerns such as human rights violations, environmental degradation, and the exploitation of child labor. Addressing these international concerns is not just idealistic; it makes good economic and political sense. With our economic strength, we can promote human rights, safe working conditions, and a clean environment as conditions of trade. Nations that do not accept these values will will not have the benefits that come with an economic relationship with the United States. Our trade policy should reflect the values of our foreign policy.

Option 1

Promote Free Trade

Since the end of World War II, the United States and many of its chief trading partners have enjoyed unprecedented prosperity and economic growth. Underlying this era of progress have been the principles of free trade. After World War II, the United States took the lead in creating an international economic system that recognized the critical importance of free trade and the free market. We helped the countries of Western Europe and Japan get back on their feet because we understood that the economic health of our trading partners was vital to our own well-being. Although many barriers to trade remain, progress in lowering tariffs has produced results. World trade has soared, living standards have risen, and new technologies have emerged. More open trade has provided American consumers with better products at lower prices. Moreover, the growth of trade has cemented our country's alliances with Western Europe and Japan, and built bridges across the lines of politics and culture. Free trade gives all nations a stake in safeguarding international peace and prosperity.

Now more than ever, the United States is in a position to reap the benefits of free trade. Our technological expertise has given us the lead in many promising industries of the future, including biotechnology, telecommunications, and computer software. American ingenuity, without the heavy hand of government interference, continues to produce cutting-edge technology. In addition, the countries of East Asia and Latin America are increasingly showing a commitment to free trade. To back away now from our commitment to free trade would leave the playing field open to our rivals and remove a key pillar of international stability. To tie a laundry list of other international issues to trade discussions would compromise our focus on expanding our markets and undermine the overall efficiency of our economy. With its cultural diversity, outstanding universities, and forward-looking industries, the United States can compete successfully with any country in the world.

What policies should we pursue?

- The United States should reject foreign policy measures that interfere with our trade interests, especially with respect to China and other key trading partners.

- The United States should press for the expansion of NAFTA and the WTO, and promote the creation of a new Pacific Rim trading bloc.

- The United States should create a level playing field for companies that do business in more than one country by applying the same standards to all corporations and pressuring other countries to do the same.

- The United States should use foreign aid and trade benefits to reward poor, developing countries that follow free-trade policies.

How would Option 1 affect us?

Free trade is expected to increase economic growth in the long run. As markets open, however, there would be both winners and losers. Well-paying, highly specialized jobs would be created, while low-wage, low-skill manufacturing jobs would be shifted abroad. Those working in industries tied to exports would most likely benefit. Americans with high levels of education and a willingness to move to where new industries emerge would be the biggest winners. On the negative side, Americans with few skills and little education would be hurt by increased competition. Some of the jobs they hold would likely be transferred to low-wage countries in Latin America and Asia.

Option 1 is based on the following beliefs

- America's leaders must base our country's trade policy on promoting the overall health of the U.S. economy, not on helping special interests.
- As participants in the world's most productive, innovative economy, the great majority of Americans benefit from the expansion of free trade.
- U.S. leadership in championing free trade is essential to maintaining America's broader international role as a force for democracy, the rule of law, and free-market reform.

PROS

SUPPORTING ARGUMENTS

1. Increased trade will spur greater economic growth, improve the overall standard of living, and provide American consumers with better products.
2. Free trade will give rise to an international system in which all nations have an interest in maintaining peace, stability, and worldwide economic growth.

&

3. Promoting more open trade with Mexico and our other neighbors to the south will reduce poverty in Latin America, ease the flow of illegal immigrants into the United States, and expand the market for American goods.
4. The free, open competition of the marketplace will sharpen the efficiency of American industry and encourage innovation.

CONS

OPPOSING ARGUMENTS

1. Under free trade, the laws of the marketplace will result in the transfer of millions of American manufacturing jobs abroad.
2. Free trade will lead to a weakening of worker safety and environmental standards, and prompt cutbacks in education and social services as the United States faces greater competition from poor, developing countries.
3. The blind pursuit of free trade will leave our industries and workers at a disadvantage in competing against companies in East Asia that use child or prison labor.
4. Continuing with NAFTA will force American workers to compete head-to-head with poorly paid Mexican workers and undermine U.S. efforts to guard our borders against drug traffickers and terrorists.
5. Placing the principle of free trade ahead of vital foreign policy interests will require U.S. leaders to turn a blind eye to the reckless behavior of international bullies, such as China and Russia.

Option 2

Protect American Workers

For too long, our country's trade policy has served the interests of a small, selfish elite while the rest of us have watched from the sidelines. Corporate presidents have told us that free trade is the road to economic prosperity for all. Top policymakers have tried to convince us that the WTO, NAFTA, and other trade pacts are the glue holding together the international system. Now, however, the American people are finally waking up to the truth. In reality, U.S. trade policy has been crafted for the benefit of the few at the expense of the many. Our country is producing multi-millionaires at a record rate while millions of hard-working Americans are struggling to support their families on shrinking paychecks. U.S. trade negotiators have opened our doors to imported goods while our competitors have shielded their industries behind high tariffs and impenetrable regulations. The result is that the United States has lost about 17 percent of its manufacturing jobs since 1980. These were jobs that allowed American workers to provide their families a decent standard of living and buy the cars, clothes, and computers that other Americans make. The time has come to fight back.

U.S. trade policy must put the needs of American workers above the heartless laws of free trade. Our economy cannot be strong without a healthy manufacturing sector, and our manufacturing sector cannot be healthy if the purchasing power of American workers is eroded. More than any other group, workers have suffered from our country's misguided trade policy. Their flesh-and-blood concerns can no longer be neglected, regardless of what economic theories say. U.S. trade policy must focus on stemming the flow of jobs overseas and protecting our industries from unfair foreign competition. At home, we must invest in the skills of our workers through expanded government retraining programs. The forces of economic globalization must not be allowed to trample over the lives of the men and women who built this country.

What policies should we pursue?

- The United States should withdraw from NAFTA and press for more favorable terms under the WTO.
- The United States should retaliate against countries that erect unfair trade barriers to keep American goods out of their markets or fail to protect the rights of their workers.
- The United States should substantially expand programs designed to retrain American workers.
- The United States should use tax policy to discourage American companies from transferring manufacturing jobs abroad and to encourage foreign companies doing business in the United States to base their factories in this country.

How would Option 2 affect us?

Promoting the interests of American workers by restricting free trade is expected to change the direction of the U.S. economy. In the long run, the pace of economic growth would be slower. Those already employed would have a better chance of holding onto their jobs but fewer new jobs would be created. Those likely to gain from Option 2 would be Americans working in well-established industries, such as automobiles and steel. Those without advanced skills would also benefit from government training programs. On the negative side, business managers would have fewer opportunities to cut manufacturing costs by moving jobs abroad. Some companies would lose export markets as a result. A decline in trade would also hurt Americans who work in export-oriented industries.

Option 2 is based on the following beliefs

- Most of the benefits of free trade are reaped by wealthy investors, while the majority of American workers suffer from lower wages and greater job insecurity.
- Protecting the interests of American workers should be the top priority of U.S. trade policy.
- America's leading trading partners have largely ignored the principles of free trade.

PROS

SUPPORTING ARGUMENTS

1. Taking a tough stance on trade issues will force other countries to either play fair or drop out of the competition for the American market.
2. By taking control over the pace of economic change, the United States will head off the social chaos and the widening gap between rich and poor that threatens to tear our society apart.

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3. By investing in the retraining of American workers, the United States will strengthen the overall competitiveness of the U.S. economy.
4. Ensuring a healthy manufacturing base will protect the purchasing power of American workers and contribute to the overall strength of the economy.

CONS

OPPOSING ARGUMENTS

1. Raising U.S. trade barriers will set off a trade war that will reduce exports worldwide, tip the global economy into a depression, and send the U.S. economy sliding toward inefficiency and backwardness.
2. Erecting barriers against outside competition will deprive consumers of a wide selection of goods and drive up prices on much of what we buy.
3. Withdrawing from NAFTA and taking a hostile stance toward our trading partners will undermine the stability of Mexico and create an atmosphere of international tension similar to the period of the 1930s.
4. Imposing new restrictions on American businesses will lead to lower corporate profits and falling returns for tens of millions of ordinary American investors.
5. Raising trade barriers will not insulate us from foreign workers fleeing economic hardship, pollution, and political instability in their own counries.

Option 3

Put Global Values First

The United States should put its values before its wallet. The United States must recognize that there are issues that are more important to our society than the benefits of free trade or the protection of American workers. In this era of increasing globalization, trade policy must be understood in a larger context as an important instrument of foreign policy. In today's world, trade policy is one of the most effective handles we have for addressing a range of global concerns such as human rights violations, environmental degradation, and the exploitation of child labor. Addressing these international concerns is not just idealistic; it makes good economic and political sense. Societies that are torn apart by economic strife and poor human rights policy are unstable. This instability creates conflicts and often leads to refugees streaming across borders to escape suffering, poverty, and injustice. Environmental pollution spills over borders and ultimately has a cost to the United States. When workers in this country have to compete against prison and child labor, their standard of living is affected.

U.S. trade policy should promote the values that are most important to us. The strong desire of other countries to have a trading relationship with the United States means that we have the opportunity to help promote broadly accepted international values. With our economic strength, we can promote human rights, safe working conditions, and a clean environment as conditions of trade. As we did in response to apartheid-era South Africa's human rights violations, the United States should be prepared to lead the way by imposing sanctions or trade embargoes on nations that do not agree about the importance of these issues. Our trade policy should reflect the values of our foreign policy.

What policies should we pursue?

- The United States should not offer most-favored-nation trading status to those countries that do not share our concern for human rights and labor standards. We should lead the way in imposing trade embargoes and economic sanctions on countries that violate human rights.

- The United States should insist that all trade agreements provide safeguards for the environment.

- The United States should press our trading partners in the developing world to raise wages and worker safety standards as their economies grow. American companies operating in the developing world should be prodded to lead the way.

- The United States should press the WTO to become more democratic and less secretive in its proceedings, allowing interested parties to observe and have input into the decision-making process.

How would Option 3 affect us?

If we place our concerns about human rights, the environment, and international labor standards ahead of our economic interests, this may in the short run lead to the loss of some opportunities for American businesses and citizens. In the long run, however, this option will further our human rights agenda, protect the environment from degradation, and protect American workers from unfair competition.

Option 3 is based on the following beliefs

- While economic interests are important, we cannot separate these interests from our concerns for justice, human rights, and democratic processes.
- Government policy on trade should reflect a commitment to promoting a clean environment.
- The world's long-term economic health and the stability of the international system are linked to thegrowth of human rights and the rule of law in worldwide.

PROS

SUPPORTING ARGUMENTS

1. Promoting human rights helps promote international stability and the rule of law and is therefore vital to global security.
2. Linking trade policy with other issues gives greater leverage in dealing with concerns that will ultimately affect the world community.

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3. Failure to deal with the issues of the environment and human rights in trade agreements will mean that the U.S. and other nations will face the costs of pollution spilling over our borders as well as the increased immigration of people fleeing hardship.
4. The end of apartheid-era South Africa shows that trade policy can be used to encourage change in other nations.

CONS

OPPOSING ARGUMENTS

1. Tieing trade policy to a laundry list of other international issues will harm our ability to expand our markets and weaken our economy.
2. By concentrating on the issues of other nations overseas, we could overlook the economic hardships faced by American workers caused by more open trade.
3. By imposing strict regulations on global industries, we could create burdens and build resentment among developing nations struggling to catch up to the developed world.
4. By forcing industries in developing countries to adopt costly labor, safety, and environmental standards we run the risk of creating unemployment for workers.
5. The cases of Cuba and Iraq demonstrate that punishments in the form of trade embargoes and sanctions often harm the very people the policy intends to help.

Focusing Your Thoughts

Instructions: You have had an opportunity to consider three options on U.S. trade policy. Now it is your turn to look at each of the options from your own perspective. Try each one on for size. Think about how the options address your concerns and hopes. You will find that each has its own risks and trade-offs, advantages and disadvantages. After you complete this worksheet, you will be asked to develop your own option on this issue.

Ranking the Options

Which of the options below do you prefer? Rank the options, with "1" being the best option for the United States to follow.

____ **Option 1: Promote Free Trade**

____ **Option 2: Protect American Workers**

____ **Option 3: Put Global Values First**

Beliefs

Rate each of the statements below according to your personal beliefs:

1 = Strongly Support
2 = Support
3 = Oppose
4 = Strongly Oppose
5 = Undecided

____ The economic prosperity of our trading partners contributes to the prosperity of Americans as well.

____ In the global economy, one country's gain is usually another country's loss.

____ The government should not sacrifice our values for prosperity.

____ Promoting human rights and protecting the global environment are important tasks for our country.

____ The success or failure of trade policy should be judged by how it affects American workers.

____ The main economic goal of U.S. policy should be promoting the overall growth of the U.S. economy.

____ Our country's leadership role in upholding the international economic system has contributed to peace and prosperity at home and abroad.

____ Our trading partners have taken advantage of U.S. policies to enrich themselves at our expense.

____ Government involvement in the economy interferes with the free market and undermines our economic strength in the long run.

Creating Your Own Option

Your assignment is to create an option that reflects your own beliefs and opinions. You may borrow heavily from one option, or you may combine ideas from two or three options. Or you may take a new approach altogether. There are, of course, no perfect solutions. And there is no right or wrong answer. Rather, you should strive to craft an option that is logical and persuasive. Be careful of contradictions. For example, we cannot raise tariffs to protect American auto workers and at the same time be seen as an international champion of free trade.

Opposing Views on U.S. Trade Policy

In November 1997, Congress denied President Bill Clinton "fast-track" authority to negotiate new trade agreements. (Congress is required to either approve or reject trade agreements negotiated under fast-track authority, but cannot offer amendments.) Like earlier Congressional debates on the WTO and NAFTA, the fast-track vote brought to the forefront sharply contrasting views about the goals of U.S. trade policy.

Below, you will learn more about two of the prominent competing views in the trade debate. Vice-President Al Gore championed free trade within the Clinton administration. Congressman Richard Gephardt, the leader of the Democrats in the House of Representatives, spearheaded the campaign to defeat fast-track legislation.

Vice-President Al Gore

(radio address to the nation, November 1, 1997)

Our nation faces a stark and important choice: whether to move forward with the economic strategy that has given America the strongest economy in a generation — or whether instead to turn away from what we must do to meet the challenge and opportunity of the 21st century.

Congress will decide whether to give President Clinton the power to open foreign markets that are closed to us today — to tear down barriers to our products, and create new jobs for our people. This is the same "fast track" authority that every president of either party has been given for more than two decades. And this president knows how to use it. He knows how to strike tough and fair trade deals. He knows how to protect labor rights and the environment.

Expanding trade is a key part of our enormously successful economic strategy — balancing the budget, investing in the future, and opening new markets for our goods and services. Because of that strategy, we have more than 13 million new jobs now, less than 5 percent unemployment. And yesterday, we learned that the economy has grown at 4 percent over the past year, the fastest in nearly a decade — fueled partly by exports that have grown by $125 billion. To keep on creating high-wage jobs, we must reach the 96 percent of the world's consumers who live outside our borders.

Critics oppose giving the president this power. But this much we know for sure: turning our backs on the world won't create a single new job, won't close down a single sweatshop, won't clean up a single toxic waste site. If we want every American to win in the new global economy, we must lead the world, not hide from it.

America must be the leader in bringing democracy and open markets to other nations. For that means stronger democratic partners, more willing to work with us on challenges like international crime, drug trafficking, and environmental degradation. A vote against presidential trading authority is a vote against American leadership in the world — and a vote for pessimism and retreat.

> *If we want every American to win in the new global economy, we must lead the world, not hide from it.*
>
> *—Al Gore*

For decades, America has been unafraid to lead — and that spirit has crossed the lines of party and politics.

Now, President Carter, President Bush and President Ford have all written to President Clinton, supporting his call for continued authority to negotiate trade agreements. These distinguished public servants have one thing in common: they know that our national interest demands our world economic leadership. President Clinton and I are grateful for their support. And we are pleased that former secretaries of State, Treasury, and Commerce, and former U.S. Trade Representatives of both parties have also joined our call.

This week, America faces a crucial choice — and Congress faces a critical vote. Will we turn our backs on the world economy, in a vain struggle to turn back the clock? Or will we move into the future boldly, and continue the economic strategy that has brought us new jobs, new hope, new leadership around the world?

That is our choice — and this is our chance, because it's our future. Together, we must seize it.

House Democratic Leader Richard Gephardt

(statements released to the media September 16, 1997, and October 27, 1997)

September 16, 1997

Rather than building trade agreements for the future, it [Clinton's proposed "fast-track" legislation] is a retreat to the policies of the past. In my view, the proposal is unacceptable. It sends the wrong signal to the world community about what our priorities and standards in trade should be.

With the president's bill we are compromising the basic goals of growth opportunity, the dignity of work, environmental quality and democracy. This fast track would put us the wrong track.

I supported President Bush's request for fast track authority in 1991. I was prepared to support President Clinton's request as well. But, the president's proposal represents a step backwards from what President Bush requested. It puts limits on what can be achieved — limits that will ensure that trade is not a force for progress and a bridge to the future, but a validation of the status quo. And the status quo is simply unacceptable.

In fact President Clinton's proposal could prohibit fast track from being used to extend the ineffective NAFTA side agreements to other countries. The only fast track authority he provides for on labor and environmental issues is for any action at the World Trade Organization. Let's be honest, the WTO has refused all efforts to address labor issues in the past.

What I and others are arguing for is that U.S. workers and the environment be treated and enforced the same as copyrights and investments. And they should be enforced the same as any other. We want food safety to be addressed. We want to stem the flow of drugs into our country.

> *What I and others are arguing for is that U.S. workers and the environment be treated and enforced the same as copyrights and investments.*
>
> *—Richard Gephardt*

The president's proposal seeks to redirect attention to the World Trade Organization and other international organizations as the place to move the agenda forward. The proper place to include these issues is in the trade agreements we negotiate. That's like signing a contract to buy a used car but leaving the price to be negotiated later. Our leverage, our ability to ensure that trade agreements work for us and other countries is when we're negotiating the trade agreement, not at some later time. And, let's recognize that the administration has had more than four years to achieve progress in other forums — they've come up empty handed.

We haven't heard much about NAFTA from its proponents recently. The administration may not want to talk about NAFTA and that, in itself, is its greatest indictment. It hasn't worked.

The president now has finally offered his proposal. Congress should take the necessary time to examine his proposal and to fully debate the issue. We must not fast track fast track. The American people need to know that Congress is listening to them and will put their interests first.

October 27, 1997

No one's talking about walking away from the challenge. But we must not blindly pursue the same path we've been on. And the path we're on has, according to the United Nations, benefitted the "fortunate few."

The goal must be for trade to increase everyone's standard of living, not just those at the top. We've got to create consumers, not just producers. If we don't raise everyone's standard of living, we won't have anyone to buy our products. That's not what happened with NAFTA — NAFTA undermined opportunity and failed to help create a growing middle-class.

NAFTA validated a bad status quo. We must not allow another trade agreement to do similar damage to our values. We can't trade away our conscience with our commerce.

Current fast track proposals are fatally flawed. Rather than enhance our future, they will undermine it. As well-meaning as I know the president is, the legal language of the proposals does not do what the president says. And the fact that House Republicans rejected a Democratic amendment that would have simply allowed the president to negotiate on labor and environmental issues speaks volumes about their position on these issues. They thought that went too far. Republicans want to tie the hands of the president.

There's a reason that a majority of Democrats are lining up in opposition to the fast track proposals before Congress: these proposals won't ensure that trade that will build a bridge to the future.

Suggested Reading

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